

DYNAMICS



CONSISTENCY

2017 Annual Report

CONSISTENCY MEETS DYNAMICS “If you want to be the leader, you must keep running.” At CLAAS, we are working on innovative, leading agricultural technology solutions. Our strategy therefore builds a bridge between dynamics and consistency while helping us navigate a market environment [18](#) characterized by constant ups and downs. Aspects of progress and stability also meet in our work at our new electronics development hub [2](#), in our product portfolio for different markets [8](#), in the impressive availability of our customer service [12](#), and in the training of our employees [16](#). These seeming opposites prove to be a “multi-speed principle” that promises success in the long haul – so that we are always able to provide farmers with the best support possible for feed and grain production, as we have for over 100 years.

CLAAS Group Overview

Financial Indicators (IFRS)

in € million	2017	2016	Change in %
Financial Performance			
Net sales	3,761.0	3,631.6	3.6
EBITDA	335.7	251.9	33.3
EBIT	215.2	129.0	66.8
Income before taxes	184.5	93.5	97.3
Net income	115.4	37.6	206.9
Research and development costs ¹	217.6	221.4	-1.7
Free cash flow	209.6	118.5	76.9
Financial Position			
Equity	1,293.8	1,160.7	11.5
Capital expenditure ²	130.7	122.2	7.0
Total assets	3,232.8	3,137.2	3.0
Employees			
Number of employees as of the balance sheet date ³	10,961	11,300	-3.0
Personnel expenses	673.5	653.3	3.1

¹ Before capitalized and amortized development costs.

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

³ Including apprentices.

“Farmers want ultra-efficient and reliable technology, and more and more, they want to optimize entire process chains on their farms.”

Hermann Lohbeck



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DYNAMICS

AHEAD OF THE FIELD



The global market for agricultural equipment has been in a downward spiral since 2013. Do you now see the light at the end of the tunnel?

Hermann Lohbeck Yes, we can see the light now. Demand has picked up considerably over the course of the year, and we were also able to land large tender contracts. Low producer prices are curbing the optimism, however. Due to higher dairy prices and growing demand in China and Russia, forage harvesting harbors significant growth prospects.

Overall, we expect to see subdued growth in the years ahead, which makes it even more important for us to systematically implement our cost-cutting programs. Only by increasing our profitability will we be able to create the investment leeway that we need for shaping the future.

What key issue of tomorrow is particularly important to CLAAS?

Hermann Lohbeck Everyone is talking about digitalization, but we've been having that discussion for a while now. We acquired one of the leading agricultural software companies as early as 1998 and successfully integrated it into the Group. After having already equipped the individual machines with increasingly better electronics systems, we are now shifting focus to connecting them and ultimately to the complete overview of work performed on a farm. The importance of using data is growing rapidly, and in terms of daily routines, it is already lending a helping hand to small farms in particular that don't have any additional workers.

Is CLAAS turning into a software firm with a factory attached?

Hermann Lohbeck No, our heart continues to beat for mechanical engineering too. The art of engineering and building complex machinery is an integral practice at CLAAS that goes back generations. That said, it is not an end in itself; rather, it places our customers' needs at the center of our focus. Farmers want ultra-efficient and reliable technology, and more and more, they want to optimize entire process chains on their farms. In order to meet these needs, we need a foothold in both hardware and software.

Where do you see further potential for growth geographically speaking?

Hermann Lohbeck We have secured a good position for ourselves to achieve international growth in Asia and Eastern Europe through the acquisition in China and the plant expansion in Russia.

However, it will still entail considerable effort in the coming years to actually capitalize on these opportunities. The American market also continues to be a clear focal point for further growth. We have now created a solid base for ourselves there to continue expanding our business. Our core market, Europe, harbors opportunities for growth as well. The plan is to continue improving our market performance with tractors over the next few years, and harvesting machinery still has potential too.

You continue to head the forage harvesting division. How is business developing there?

Hermann Lohbeck Development of the forage harvesting division has been volatile as of late. The number of units sold in Germany dropped by 35 percent between 2013 and 2016, only to shoot up again by a double-digit amount within the span of a few months this year. That turnaround meant our team had to quickly switch gears. In the long term, we will benefit from the ongoing trend towards large-scale technology, which is why we continue to invest significantly in research and development, and in the expansion of our Bad Saulgau and Metz locations.

In order to keep growing and expanding international business activities, you need additional outside talent. What makes CLAAS appealing?

Hermann Lohbeck We are a values-driven family business that provides its employees with a wide range of development opportunities – both at home and abroad. What's more, we all work together towards achieving one goal: engineering increasingly powerful agricultural machines so that it will be possible to feed as many people as possible in the future despite the world's growing population and the dwindling amount of land available for cultivation. We are a company that people join with the intention of staying.

“Farmers want ultra-efficient and reliable technology, and more and more, they want to optimize entire process chains on their farms.”

Hermann Lohbeck
Speaker of the CLAAS Group Executive Board,
Forage Harvesting



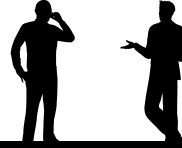


DYNAMICS



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CENTER OF COMPETENCE

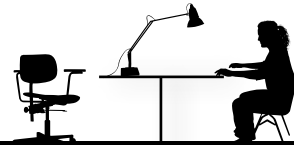


Meeting place: The stated aim is sustained dialog with colleagues from the product companies both inside and outside of Germany – CLAAS employees are always welcome in Dissen.

Space for planning and prototypes: Special rooms provide a home for project teams during their collaboration. Integration areas have been set up for designing and testing hardware components.

3

Conventional telephones? Negative. Voice over Internet Protocol (VoIP) calling and Skype for Business are the keywords here. They save costs and enable conference calls and videoconferencing at the push of a button.



2

Café in the entrance area: Face-to-face meetings in a relaxed atmosphere boost team spirit and the exchange of ideas.



1



An employee restaurant for more than just meals: The space also serves as a suitable forum for in-house keynote talks and conferences with important speakers.

5

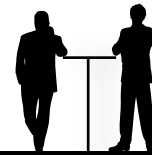


Clever details: The glass panels facing the hallway from the offices have been covered with a semi-transparent film at working height to create clear whiteboards for sketching out ideas, leaving notes, and more.

4

Stand-up meetings: Stand-up meetings are part of the daily routine for agile projects that divide up the development processes into sprint phases and leave control in the hands of the respective team.

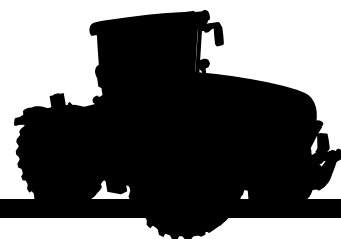
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The megatrends digitalization and automation are also making their mark on agriculture. The amount of electronics used in agricultural equipment is growing. In 2014, CLAAS pooled large portions of its hardware and software development activities in the new subsidiary, CLAAS E-Systems. Now the electronics incubator has its own brand-new abode. An exclusive tour of premises ahead of the opening.

✍ Jörg Huthmann

Plenty of space outside: Not only can employees park here and recharge vehicle batteries with solar power, but they can also test new features on the site's own test track.



Workspaces with a lab flair
An integration area at CLAAS E-Systems GmbH in Dissen.



An attractive facade with a great deal behind it
The new building at CLAAS E-Systems GmbH looks impressive too.



The overall view is best seen from above: Carsten Hoff is standing on the roof of the new CLAAS E-Systems development center in Dissen, located in the southern part of Lower Saxony. His vantage point puts him literally on top of three years of deliberations, planning, and construction work. “Based on a strategic decision and the outcome of meetings and consultations, the focus was on creating a vibrant company,” Hoff says, summarizing the assignment that he and his colleague Christian Radons embraced as managing directors three years ago. Today, CLAAS E-Systems boasts some 200 employees – and a new, cutting-edge operations base.

From the building’s roof, you can survey the site stretching out over five hectares. Apart from the main five-story building, the grounds include an eleven-meter-tall machine shop with a washing station, an asphalt test track, and wide tracts of arable land. CLAAS invested a double-digit-million amount in the site so that experts can enjoy ideal conditions here for designing interfaces, developing operator panels and control units, and programming and testing new features, provided their importance extends beyond a single product group.

Mid-30s

The average age of employees at CLAAS E-Systems.

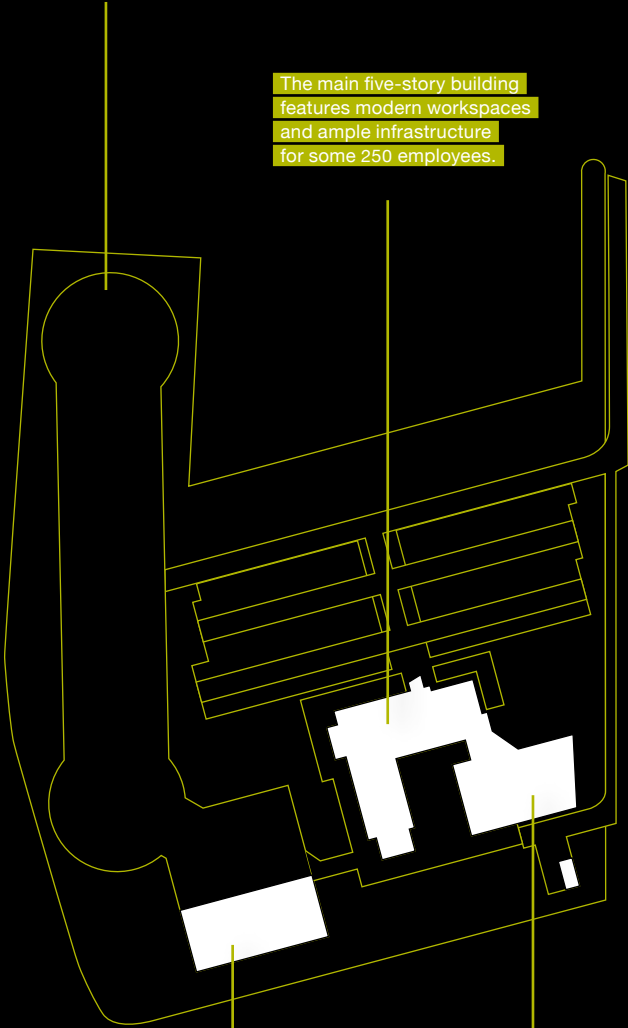
While gazing out, the eye lingers on the green roof of the employee restaurant. Not only will the restaurant offer high-quality food, but it will also serve as a space for holding in-house forums, expert discussions, and talks with important guests. “We are an open meeting place for all CLAAS employees,” Hoff explains. “We are

“Information and communication technologies harbor massive potential to improve farmers’ productivity and ultimately their quality of life. This is why we here at CLAAS have gone to great lengths to create the ideal conditions for creating electrical systems, electronics, and software.”

Thomas Beck, CTO

The 5,400-square-meter proving ground makes it possible to test overloading and steering maneuvers, even with the biggest machines.

The main five-story building features modern workspaces and ample infrastructure for some 250 employees.



The eleven-meter-tall machine shop houses two large parking bays with a workshop area, as well as a washing station.

The employee restaurant connects to the main building. With theater seating, it can accommodate 199 people.

happy to welcome anyone who comes to visit us, no matter what product or regional company they're from!" Getting here is not an issue, since the A 33 freeway runs right past the premises, ensuring it is well connected. CLAAS headquarters in Harsewinkel is located just over 20 kilometers away, while the Münster/Osnabrück airport is about 40 kilometers away.

With new freedom come new expectations

The tour of the future abode of CLAAS E-Systems kicks off in the parking lot. Charging stations have been installed so that employees can recharge the batteries of their electric bikes and cars with solar power. At the moment, the vans of a number of construction businesses are still parked here. Carsten Hoff is waiting in the entrance area, where he is discussing details with the construction manager, asking questions, and inspecting documents. Even though many people want to reach him, his cell phone is silent. The cell

reception is bad out here, and the repeater – the technical device needed to fix the problem – has not been installed yet. Hoff keeps his cool. He knows that the planning team for the new building, which consists of E-Systems employees and CLAAS construction design specialists who receive support from a wide range of other fields, has done a great job. They are going to finish on schedule, and Hoff's employees will be able to move in at the end of September, as has long been planned.

The end of the planning and construction phase also marks a new beginning for CLAAS E-Systems. The vast majority of employees will move to the new location in Dissen, and viewings have already taken place. Everyone knows where he or she will be working in the future and can appreciate the opportunities provided by the new building and its technical infrastructure. What's more, they know that the move will not only entail a greater level of freedom, but also greater attention and expectations from people within and outside the company.

During the tour of the main building, Carsten Hoff describes the future communication and working setup, starting right in the entrance area, which will feature a café that serves as a meeting place. "We want people to take breaks here and engage in conversation with one another," Hoff explains. The underlying idea is that if you want to form a new and powerful team with highly qualified employees from various locations, you can only do so through motivation and suitable communication options.

From here, the tour proceeds upstairs. The four floors above the ground level house numerous offices and project team spaces. Glass walls facing the hallways create transparency, although no one has to work as if in an aquarium. A semitransparent film has been applied to the glass at head level, turning it into a whiteboard for sketching out ideas or leaving notes. Each floor also has an integration area for designing and testing hardware components. Meeting places and communication islands – sometimes equipped with benches, sometimes furnished like a lounge – create an inviting atmosphere. In addition, the partitioning of the spaces is flexible. All non-load-bearing walls are made out of wood and can be rearranged within 24 hours if necessary – the new base of operations for CLAAS E-Systems is designed for further development.

CLAAS E-Systems

Established in 2014, CLAAS E-Systems pools the electronics expertise of CLAAS. Under the name of EASY, which stands for Efficient Agricultural Systems, some 200 employees develop hardware and software components of importance across the Group. They include machine-optimization systems, automatic steering systems, and operator panels used in various product groups. Heading the development of the new subsidiary as managing directors were Carsten Hoff, who holds a doctorate in electrical engineering, and Christian Radons, who holds a degree in business and agricultural engineering. Christian Radons is now taking over the position of Regional President for Western Europe and Oceania. Joining Carsten Hoff as the new managing director is the business graduate Stephan Vormbrock.



Discussing and finding solutions as a team it's even more effective in the spaces specifically created for this purpose.

“Everything that we are doing here is a response by CLAAS to the growing importance of electronics in agricultural equipment,” says Carsten Hoff, referring to the principle of agility being systematically implemented at CLAAS E-Systems. Agility entails self-governing teams, sprint phases, daily stand-up meetings, and efficiency above all. “I firmly believe that what we are building here will help us to perform our work as developers of Group-wide electronic components better and faster, and that it will make us more innovative in the end.” The GPS steering systems are one example. From tractors and combine harvesters to forage harvesters, the GPS steering systems use satellite navigation signals to guide agricultural machines across fields down to the exact centimeter in an automated process. This directly simplifies the work of the driver. It also serves as the basis for many other connected features, such as data-driven precision farming, which involves varying seed and fertilizer amounts within a single field depending on the yield from the previous year and sensor data.

Many fields

Connected farming calls for navigation and telecommunications technology, sensors, databases, user interfaces, and much more, which is why computer scientists, electrical engineers, mechanical engineers, product managers, and farmers work hand in hand here.

Room for new talent

No matter what floor you enter in the new development center, it is bright and everything is bathed in light. Brown and green hues provide for a friendly atmosphere. All the parts taken as a whole create an attractive, modern environment that encourages communication, but which also seeks to make a lasting impression, as Carsten Hoff lets on. “We have a cool work atmosphere and are looking for talent,” he says with a laugh. The new location can accommodate at least 250 employees.

However, Carsten Hoff notes that they are not only looking for “techie and hardcore developers,” but also for electrical engineers and IT specialists. He adds that employees who know the problems that customers face from personal experience are also key. “Otherwise we’ll end up developing solutions to problems that customers don’t even have,” he says. For this reason, the E-Systems team includes people with agricultural training, an agricultural degree and, above all, personal experience on a farm – just like you find everywhere else in the CLAAS Group. Teaching colleagues from the city how to drive a tractor is one of the team’s easiest tasks.

The last stop on the tour is the roof, where there is time to sum everything up and gaze out over the site. “The amount of electronics in our business is growing, and this trend will continue,” Carsten Hoff says, once more getting to the heart of the reason behind E-Systems and the construction of the new development center. For CLAAS, the relocation of the electronics business to Dissen therefore marks a major step towards the future.

5 hectares

The size of the site, providing CLAAS E-Systems with enough space to grow in the future.


An in-house test track makes it possible to perform practical trials.



Test results are analyzed immediately.

GLOBAL DIVERSITY

Niche markets, special needs, tailored products: CLAAS has been able to secure its role as a leading global manufacturer of agricultural equipment thanks in part to its unique adaptability. Four examples.

 Ulrich Pontes



Brand new on the market: TORION, Europe

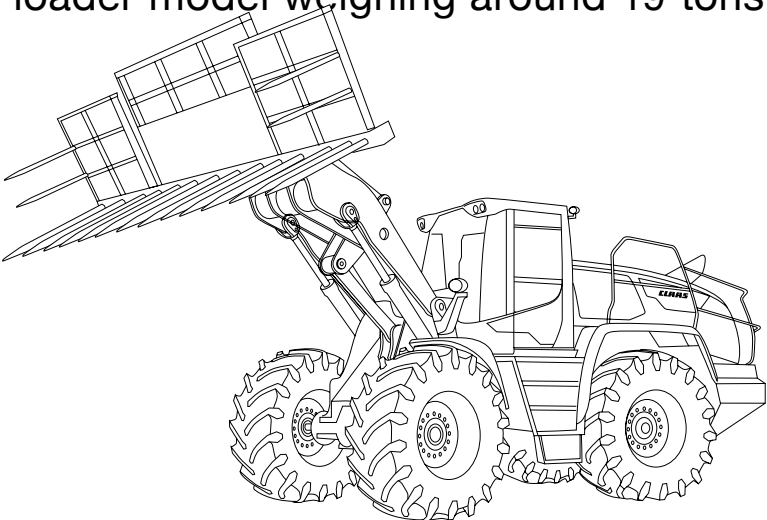
Expansion and specialization are major trends among agricultural operations in Europe, which enable farmers to continue increasing their productivity. Going hand in hand with these trends is a change in fleets. Instead of universal machines and equipment, farmers are seeking specialized – and therefore particularly high-performance – technology, including for moving materials. “The importance of mobile loading technology continues to grow,” says Michael Ruether, Managing Director of CLAAS Material Handling GmbH. “From crops to fertilizer and forage, the quantities that farmers and contractors have to handle are on the rise, which means the increasing use of wheel loaders as a new type of machine, in addition to front loaders and telehandlers.”

As a result, CLAAS has entered into a partnership with the well-known construction machinery manufacturer Liebherr. “We looked for a reliable, long-term partner with high standards regarding quality and sustainability,” Ruether says. “Liebherr is the perfect fit for us.” One visible result of this partnership is launching in fall 2017: the CLAAS TORION. It is a wheel loader series tailored to the needs of agricultural operations.

Compared to construction machinery, the modifications relate to features such as tires, cooling systems, and dust protection. “But there is one major difference when it comes to service,” Michael Ruether says, explaining that no one expects to receive spare parts for construction machinery quickly outside of normal business hours. “That is unacceptable in agriculture. CLAAS customers need maximum machine availability and operational reliability across peak working periods, regardless if they happen to fall on a holiday or in the middle of the night.”

~14t

is the maximum tipping load for the TORION 1914, the largest wheel loader model weighing around 19 tons.

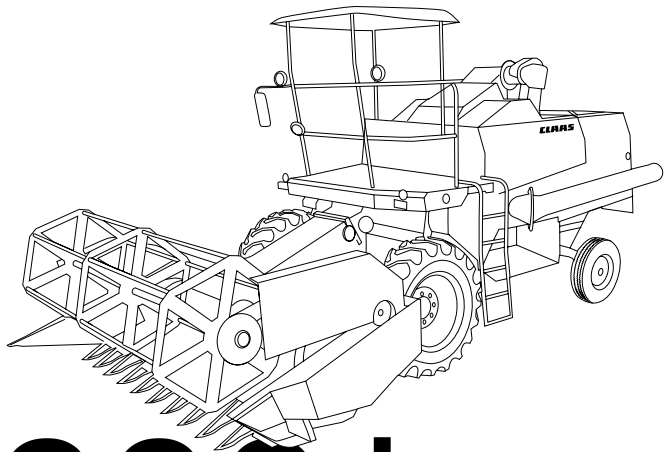


Compact and robust: CROP TIGER, India

India is one of the largest agricultural producers in the world, and rice is one of its key products. Rice is usually grown on extremely small fields, and even today, manual labor plays an important role, although this is beginning to change. CLAAS read the signs early on. "Our company made a visionary decision with regard to India nearly 30 years ago," says Dr. Jens Oeding, who currently serves as the Regional President for Asia at CLAAS. "We anticipated the substantial progress made with mechanization and engineered a combine harvester tailored to these specific needs."

The first CROP TIGER hit the market in 1992. It was small and maneuverable – just right for the fields – and it was affordable and robust, or else it would not have stood a chance. "In principle, it must be possible to repair the machine on any street corner," Oeding says. Rice is a sensitive crop, which places special demands on the threshing mechanism. Then as now, the CROP TIGER is an Indian product, through and through – locally engineered, built, and refined. It is also now suitable for other types of grain beyond rice.

Today, CLAAS is a market leader, at least in southern India, which is due in large part to the company's dense dealer network and great service, as Jens Oeding explains. Some 8,000 CROP TIGERS are now out and about in India and Sri Lanka, and "out and about" hits the nail on the head: practically universally owned by contractors, the compact combine harvesters and the people who operate them travel through the huge country on trucks. Special brokers have professionalized the mediation work between farmers and contractors, and they ensure that the machines always find their way to those regions currently in the midst of harvest season.



6,000 km

is the distance that a CROP TIGER in India covers in a year – on the bed of a truck, moving from one job site to another.



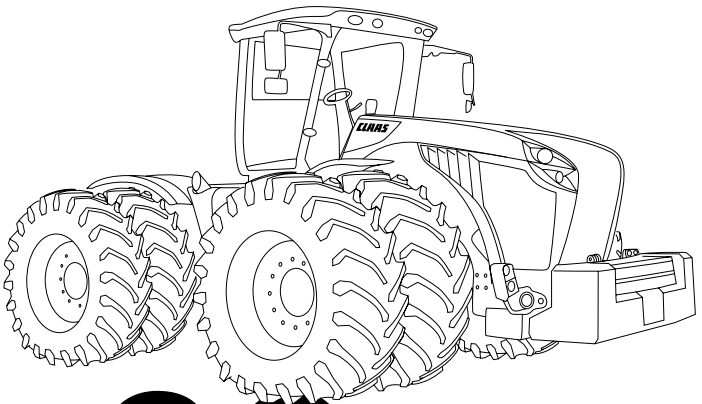


Scaling up to XXL: XERION, North America

Everything is bigger in (North) America. While European farms span less than 20 hectares on average, the size of their counterparts in the U.S. is 180 hectares, and even far surpasses 300 hectares in Canada. It is no wonder that only the largest tractor model from CLAAS is the right fit in such settings. "In order to make the XERION really attractive and competitive, our tractor engineers made some modifications before we launched it here three years ago," says John Schofield, North American Marketing Coordinator for CLAAS of America. "Since we don't face the restrictions on size under European traffic law, large tractors here are even bigger."

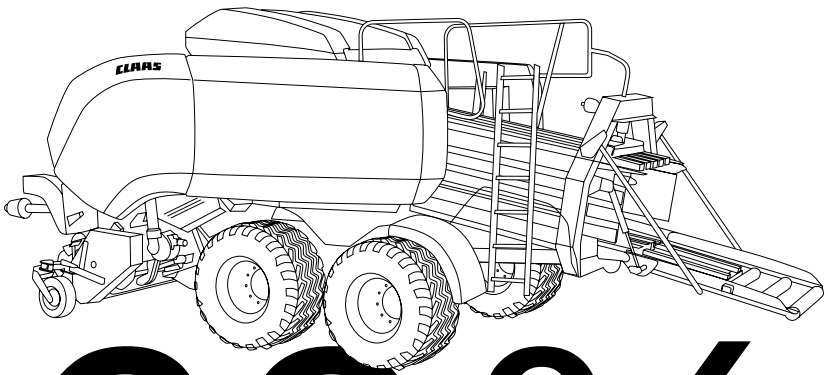
The most striking difference is that most XERION tractors sold in North America come with a dual tire configuration. Eight instead of four wheels ensures better traction and less soil compaction. This makes it possible to use the particularly large and heavy attachments that are typical on the huge North American farms. "Having two tires on each corner of the machine is also extremely helpful when it comes to preparing forage for ensilage, especially in conjunction with XERION's all-wheel steering," Schofield adds. In 'crab steering' mode, the front and rear wheels can be offset to roll along parallel tracks over the piled-up plant mass, which increases the tires' contact surface and speeds up the compression required for fermentation.

Modification work extends to even more details whenever the XERION tractors manufactured in Germany make their way to the U.S. The dual tire configuration makes certain changes to the steering and axles necessary. The hydraulic system, connections for attachments, and lighting are also adapted to North American standards. Finally, many farmers in the U.S. and Canada expect greater comfort, which is why leather seats are available and the ladder to the operator's cab is replaced by a model that is easier to climb.



4.80 m

is the width of the XERION equipped with the dual 710 tires typical in North America.



60%

fewer trips by truck are necessary if sugarcane leaves are baled with a QUADRANT baler instead of being only lightly compressed, as is customary.

Strengthened for new tasks: QUADRANT, Thailand

Special markets, special needs – this also applies to Thailand, the world's second-largest cane sugar exporter after Brazil. The farmers there face a huge logistical challenge, because once the sugarcane has been harvested, large quantities of plant debris remains on the fields, leaves in particular. This so-called trash is used as fuel for generating power – but it first has to be cleared from the field as quickly as possible so the next growing cycle can begin.

Together with the country's largest sugar refinery, CLAAS launched a project to demonstrate that it is possible to design the removal process more efficiently. At the heart of it all is a 4200 RC QUADRANT baler pulled by an AXION tractor and joined by a SCORPION telehandler. As part of a testing and demo tour, these machines were used to compress the trash from a number of Thai sugarcane fields into square bales measuring 1.20 meters wide and 70 centimeters tall before being loaded. "Our Thai customers were impressed by how quickly we were able to clear the fields," says Thierry Bonhomme, Product Manager for Balers at CLAAS France. "Thanks to the high baling pressure and perfect bale size, it took just 8 trucks instead of 20 to transport the 200 tons of daily trash."

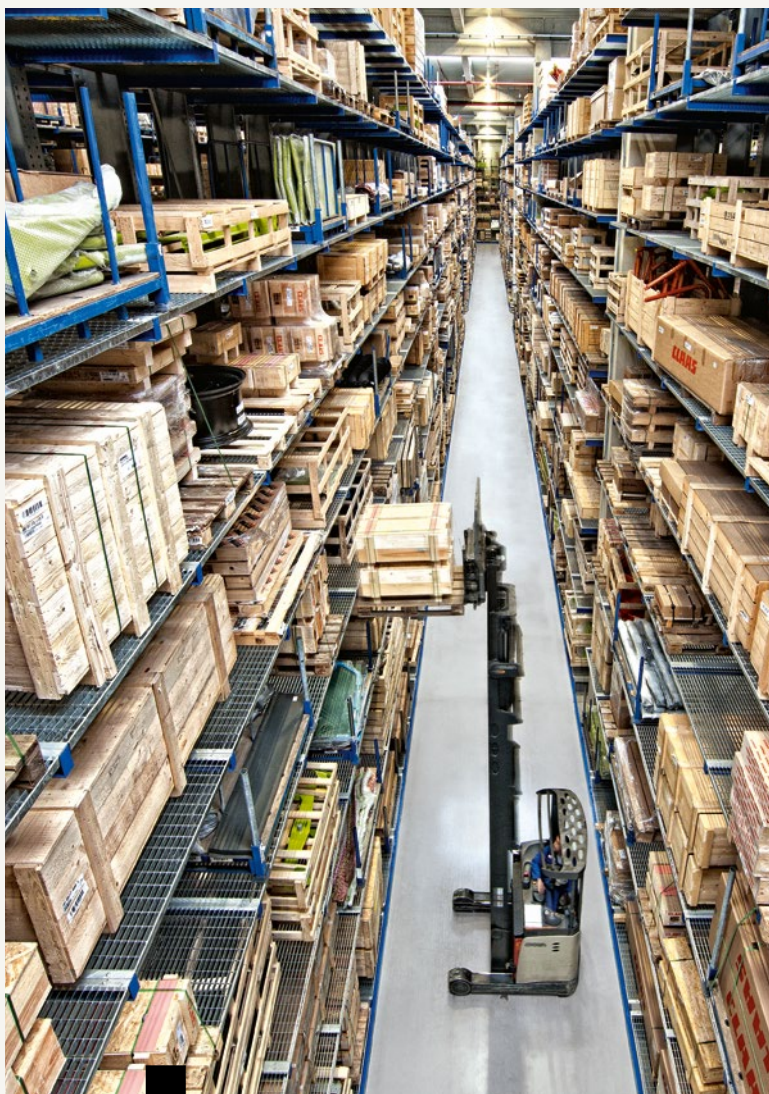
Two CLAAS technology specialists tagged along and analyzed the new demands placed on the machines. Heat and dust pushed cooling and cleaning systems to their limits, and the sugarcane leaves' tough structure and high degree of soiling resulted in extreme wear. The observations from this experience in the field were included in efforts to improve details in order to prepare QUADRANT for the official market launch in Thailand.



RACE AGAINST TIME

Companies that seek to provide reliable agricultural equipment and achieve maximum customer benefit cannot limit themselves to engineering and production, because service also has a key role to play. If a machine is damaged and breaks down, every hour it is out of commission can sometimes make a difference for farmers or contractors. They need spare parts and possibly assistance – quickly and without complication, no matter what time of day or night.

CLAAS sets the standard here with its dense service network. Working together hand in hand with local sales partners, the specialists from CLAAS Service and Parts GmbH ensure that customers' fleets stay up and running thanks to a well-crafted service setup. Three examples to illustrate.



Spare parts provided around the clock? This service has long been a matter of course for CLAAS customers. The following commonplace scenario from Brandenburg shows how the logistics chain – consisting of the local sales partner, the regional CLAAS spare parts warehouse, and the global central warehouse – works.

9:17 pm An operator from the Glienic agricultural cooperative hits an obstacle with the JAGUAR forage harvester – corn header broken. While still out in the field, the operator looks up the spare parts he needs in the CLAAS Parts Shop on a tablet computer: guide fingers, divider noses, right-angle gearbox, and cladding components. He places the order and sees immediately where each part is available, whether at the local sales partner, at the regional CLAAS spare parts warehouse, or only at the central warehouse in Hamm.

9:30 pm An employee from the cooperative calls the emergency service number of REMA, the regional CLAAS sales partner. On the other end of the line, Martin Müßigbrodt opens his laptop at home and confirms the order.

9:35 pm Müßigbrodt contacts the regional spare parts warehouse located 120 kilometers away in Landsberg and gives the order to have the right-angle gearbox there delivered by taxi. At the same time, a printer in Landsberg spits out the corresponding order form. The same thing happens in Hamm, where the cladding components are stored.

9:40 pm Müßigbrodt drives to the company facility to fetch guide fingers and divider noses from storage. A little while later, the employee from the cooperative arrives, takes the parts with him, and heads to the operator on the field. The repair begins. The taxi from Landsberg transporting the gearbox – the last spare part critical to the proper functioning of the corn header – arrives around 11:15 pm.

12:45 am Installation completed. The operator starts up the JAGUAR – harvesting continues while the plastic cladding that is still missing is shipped overnight to REMA.

Digital technology is creating new opportunities for further enhancing customer service. Through TELEMATICS, CLAAS machines optionally transmit data to a server while in use via a cellular network. The CLAAS Remote Service Dashboard is now available to service technicians to log in to enabled customer machines, enabling them to analyze and solve problems even more quickly.



3:10 pm The operator calls up again. The cable connection showed no discernible damage in the visual inspection. The two men agree that a service technician will head out to the customer with a spare sensor. Harvesting can continue until then, though with diminished technical performance.

3:20 pm The service technician has retrieved the spare part from storage. He enters the LEXION's exact position into his navigation device and drives off.



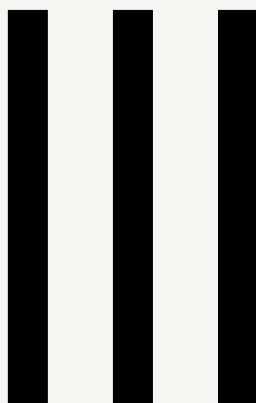
3:04 pm A customer in the province of La Pampa, Argentina, notices that his LEXION 780 combine harvester is not performing as it should be. While the machine continues to thresh, the customer calls his service technician at the sales partner. The technician opens the CLAAS Remote Service Dashboard in his browser and accesses the customer's machine through the Fleet Management option.

3:07 pm The analysis of the machine's data reveals a malfunction in sensor B006. The service technician asks the operator to check the sensor's cable connection for damage.



4:30 pm The service technician arrives. Harvesting has to be put on hold for a few minutes while the sensor is swapped.

4:40 pm While the LEXION 780 is off threshing once more, the service technician opens the Remote Service app on his smartphone. The latest data shows that the customer's machine is once again performing to the usual high standard.



Exceptional situations call for exceptional measures. If the operational capability of CLAAS machines is on the line, the team from CLAAS Service and Parts GmbH will even charter a jumbo cargo jet.

Turkmenistan. When it comes to growing and harvesting grain, the desert state in Central Asia relies in part on a large fleet of CLAAS combine harvesters and tractors. Once the harvest is over but before the soil is prepared for the next sowing, it is necessary to first prepare the tractors for the major undertaking. The preparations require numerous repair and maintenance parts, such as air filters for the extremely dusty conditions in the fields. The Turkmen importer wisely placed the relevant order with CLAAS Service and Parts GmbH early – an order that involves 120 items and 20,000 individual parts worth over one million euros. The experts in Hamm figure that it would take over a week just to gather everything for the extensive delivery, plus another 14 to 16 days of travel time for the trucks transporting the materials (depending on the situation at the border crossing points).

But then the financing and approval process stalls. The deal seems to have gone south. Without warning, the green light is given from Turkmenistan only after the window of time set aside for handling is long past. In Hamm, where everyone already has their hands full as it is with the European grain harvest currently in full swing, things really heat up. Since a truck transport is now out of the question, the CLAAS logistics specialists charter an Airbus A310 without further ado. Thanks to the excellent dedication of everyone involved, it is possible to pack the delivery – coming in at a volume of 160 cubic meters – over the course of a single weekend. As a result, the spare parts still arrive on time in what must surely be a record – just ten days after the go-ahead, which is nearly three times faster than it takes with swift, normal processing.

TWO



Als ich 1984 anfang, Spielten Computer kaum eine Rolle.
Ab den 90er - Jahren folgte dann Schulung auf Schulung.
Ich finde es super, jeden Tag etwas Neues dazuzulernen.*

*When I began in 1984, computers hardly played a role.
Starting in the 1990s, we went through one training course after another.
I think it's fantastic to learn something new every day.

After finishing school, **Norbert Langenhorst** completed an apprenticeship at a car dealer in Harsewinkel to become an auto mechanic. His first experience with CLAAS came when he worked in engine construction together with a journeyman. Following the apprenticeship, Langenhorst applied to CLAAS in 1984 – and was hired immediately. He first worked in body-in-white construction in the welding shop. Since 1997, Langenhorst, who is now 54, has been a team speaker in grain tank top construction.

Some sons want nothing more than to emancipate themselves from their fathers when it comes to choosing a profession. Jan Langenhorst (19) has done things differently. Three years ago, he began his apprenticeship at CLAAS to become an industrial mechanic, and when he heads home in the afternoon, he takes the same route as his father Norbert (54), who has been with CLAAS for more than 30 years. Two generations come together for a joint interview. We discover that vocational training and work have transformed radically, though father and son feel equally at home at the company.

Mr. Langenhorst, how did you respond when your son decided to start an apprenticeship at CLAAS?

Norbert Langenhorst I was relieved. Not that I was ever worried about Jan, but I simply thought it was good thing when he joined the company as an apprentice. I know CLAAS, and right away I felt certain that he had made a good decision with his choice.

What was the key factor in your decision?

Jan Langenhorst As a high school student, I was really interested in technology. In fact, that was one of my main subjects. I then did a student internship at CLAAS. Afterwards, it was clear that I would apply here once I had graduated.

Did your father try to persuade you?

Jan Langenhorst He didn't have to (he grins). A lot of the people in my circle of friends and acquaintances work here, which is how I knew that the quality of the vocational training apprentices receive is extremely high.

Norbert Langenhorst My parents were more heavily involved in my case. They advised me to first do an apprenticeship at a smaller business. CLAAS was already a big company back then, and my father said, "You can always go there later on." I of course listened to him – it was still what people did at the time. Members of today's younger generation prefer finding their own way, and that's a good thing (he laughs).

In your view, what is special about an apprenticeship at a large company like CLAAS?

Norbert Langenhorst I'm fascinated by technology's non-stop evolution. The big agricultural machines already intrigued me decades ago, but what they now offer today with computers on board is incredible. The work has also changed because of these developments, of course. When I began in 1984, computers hardly played a role. Starting in the 1990s, we went through one training course after another to gear up for the digital technology. I never felt overwhelmed by it all. Quite the opposite, I think it's fantastic to learn something new every day, even now, after 30 years on the job.

Jan Langenhorst I appreciate the tremendous variety provided by the vocational training. As apprentices, we have made our way through many technical departments, spending a month learning the ropes in each one. With this setup, you quickly find out what you really like, and in my case, it was assembly.

Does that mean you are going to stay with CLAAS after the apprenticeship?

Jan Langenhorst All apprentices are brought on board for at least a year, and my goal is to make an exciting career here. For example, I think the job of team speaker, which my father does, is very interesting.

What exactly does this role entail?

Norbert Langenhorst My job is to make sure that my team can do the work lined up on any given day. I organize the employees, obtain the necessary materials, and check that my people are building the right thing. I lead the team meetings early in the morning, where I need to have an open ear for the team's wishes and concerns.

Can you still recall your first supervisor?

Norbert Langenhorst That was the old guard. The approach to leadership has changed a lot. Back then, we were given our instructions, and there were no ifs, ands, or buts.

Jan Langenhorst I can attest to that. I have a collegial, easy-going relationship with my supervisors – though there is a certain degree of strictness as well. After all, they shoulder the responsibility.

CLAAS is an international company. Is this evident in your everyday work?

Norbert Langenhorst Over the years, I have noticed how the company has grown more international. I often have employees from other countries on my teams, and most recently, a delegation from Russia was here and looked at my division. It makes me proud that our technology is sought after by people across the globe.

Jan Langenhorst For many years now, the apprenticeship program has included the option of taking an assignment abroad – I did one in Hungary. Those were six really interesting weeks. The fact that people have the option of working internationally at CLAAS is another argument in favor of working for the company.

When each of you thinks back to your first day on the job, what surprised you the most?

Norbert and **Jan Langenhorst** (speaking at the same time): The size (both laugh).

Jan Langenhorst I actually got lost a few times at the beginning.

Norbert Langenhorst The same thing happened to me, though the company was much smaller back then and many new buildings have gone up in the meantime.

Jan Langenhorst Sometimes I think that this place operates like a city in its own right. Employees share a true sense of solidarity, and there are experts to answer pretty much any question. I wouldn't know of a technical problem that we couldn't solve here ourselves.

Your wife, your mother, does not work at CLAAS. How does she respond whenever the topic of conversation at the dinner table circles back to the company?

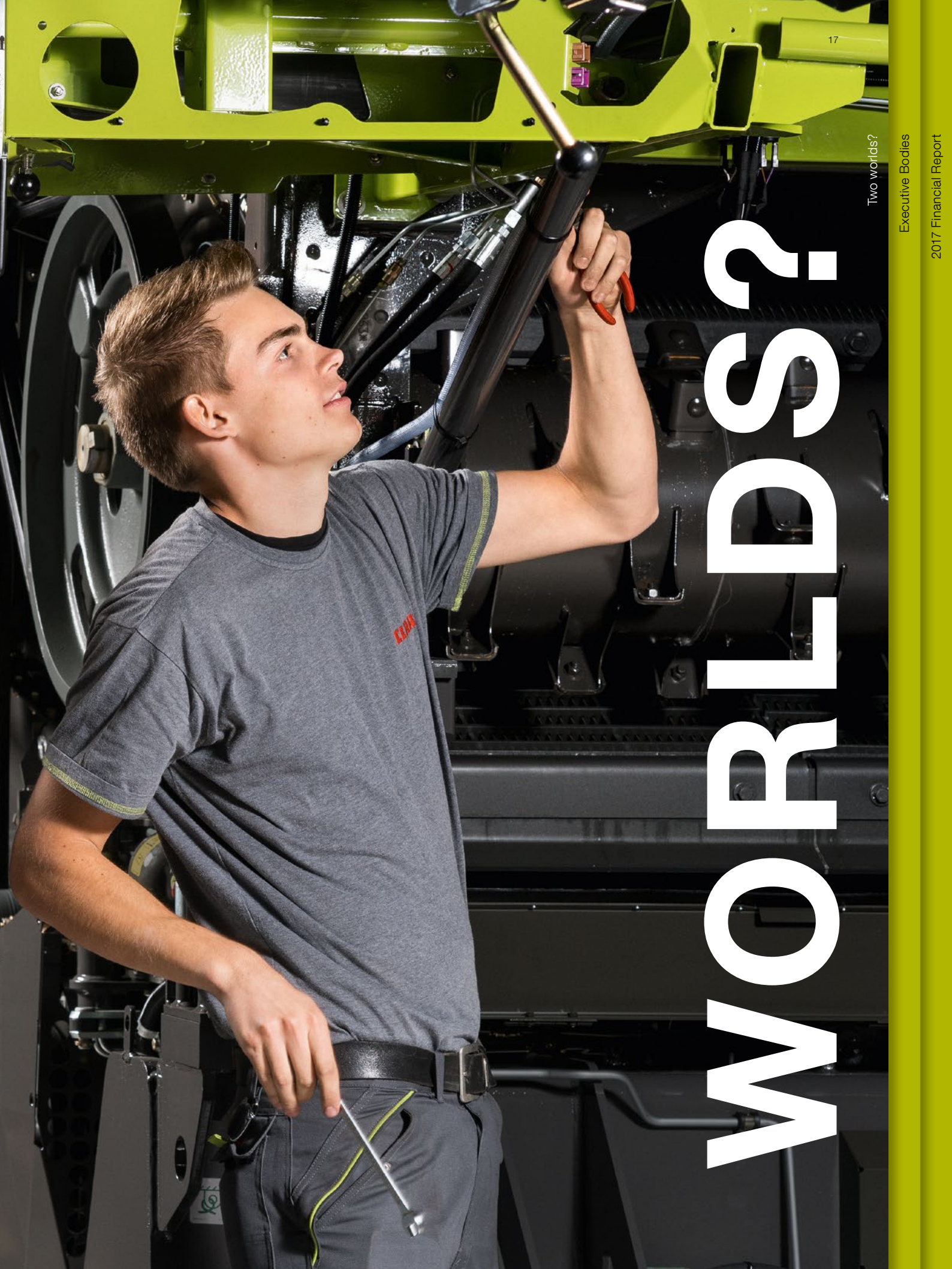
Jan Langenhorst She listens attentively, but we only talk about the interesting things.

Norbert Langenhorst And when we're finished, she talks about her work just as passionately.

Es gibt echten Zusammenhalt unter den Mitarbeitern, für eigentlich alle Fragen gibt es Experten. Ich wüsste nicht, welches technische Problem wir hier nicht selbst lösen könnten.*

*Employees share a true sense of solidarity, and there are experts to answer pretty much any question. I wouldn't know of a technical problem that we couldn't solve here ourselves.

Jan Langenhorst got an inside look at CLAAS while he was still in school when he completed a student internship in production and the training workshop. In 2014, he began a three-and-a-half-year apprenticeship to become an industrial mechanic. During this time, he spent six weeks at a CLAAS plant in Hungary, located southeast of Budapest. After the apprenticeship, the 19-year-old will join CLAAS starting in early 2018 as an industrial mechanic.



WORLD S?

Two worlds?

Executive Bodies

2017 Financial Report



Tobias Schafmeister
Contractor,
Lemgo, Germany

“Keep calm and be perfectly prepared.”

Tobias Schafmeister has been waiting two days for a chance to finally harvest his customers' corn. The corn is ripe, but it is raining, which is why his machines are unable to head out onto the fields. What's more, storms have snapped many of the stalks like matchsticks. “The weather has been volatile all year,” Schafmeister says.

Every season, Schafmeister fills the silos with grain and corn from 3,000 hectares of farmland respectively with the help of 10 combine harvesters and 25 tractors. In recent years, the weather has left him with less and less time for harvesting. Heavy rainfall in August hampered efforts to harvest the grain, for example. “We need at least one sunny day so that the grain is dry enough for hauling it in from the field the day after,” Schafmeister says. However, these two dry days have been hard to come by. “On several occasions, we were already out in the field with our combine harvesters when a storm whipped up and we had to pull out.”

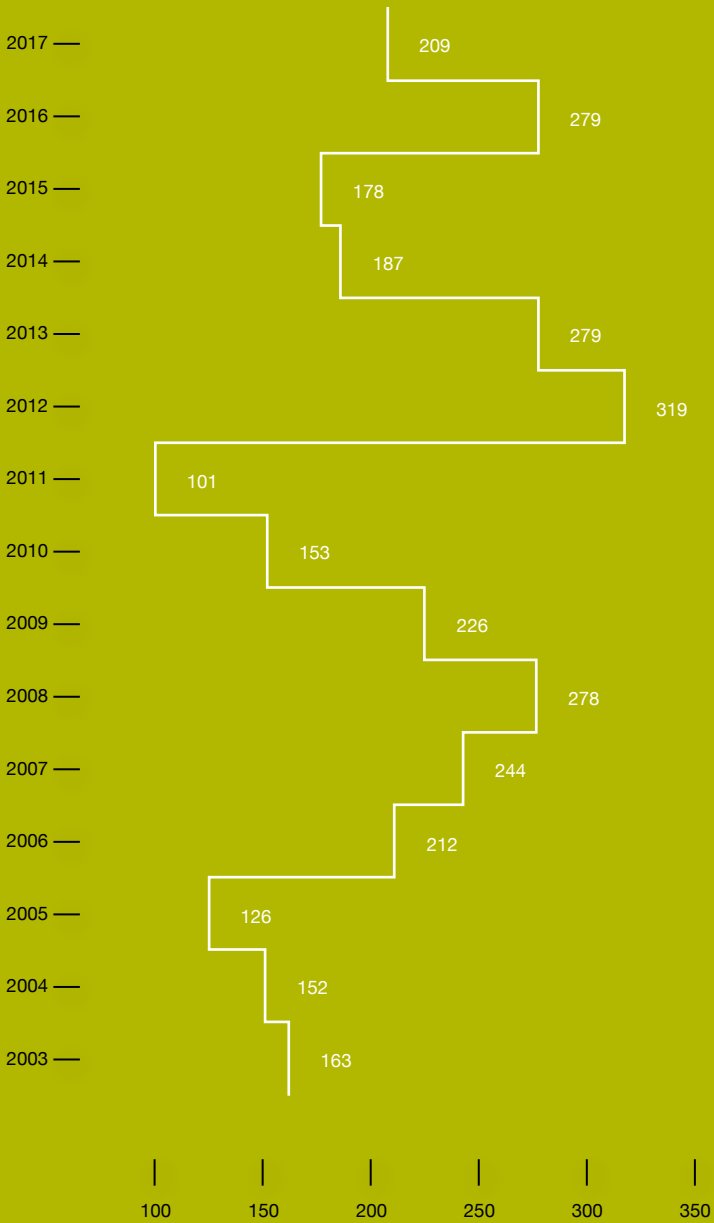
Volatile weather during the harvest puts the nerves of Schafmeister's customers on edge, but his motto is “Keep calm and be perfectly prepared.” During these tense situations, he maintains close contact with the farmers. “We survey the crops and decide together when we will begin harvesting.”

Until that time comes, Schafmeister and his team tend to the machinery and vehicles. “We inspect them repeatedly down to the very last part, and we send our drivers on training courses so that they have a detailed understanding of the technology. We have to be ready to go right away to make the best possible use of the limited time for harvesting – we can't afford downtime due to technical problems.”

UP AND DOWN

Modern agriculture is now based on the use of precise technologies and efficient forecasting tools. Many factors, such as the weather, trade restrictions, and government regulations, cannot be planned or changed. Four actors from the agricultural industry describe how they deal with such uncertainties.

Precipitation in western France



Rainfall for the city of Tours (in western France) for the respective period from March to June as measured in mm according to Meteostat



Bob Stewart
Farmer, Illinois, U.S.



KEEP GOING

“Our family motto: Keep going!”

“Our family has been working the land that I farm with my brother for five generations. Our farm is located 50 miles outside of Chicago and stretches over more than 9,000 acres (or 3,600 hectares). Even as a kid, I experienced the ups and downs that come with a life in agriculture. There were constantly times when my parents had it very hard and we could barely make ends meet, but my parents’ motto was always: Keep going!

“This approach to farming still applies today to me and my brother. Even if prices have hit rock bottom, we plough our fields and harvest the crops. What’s more, we do not return any of the leased land – we aim to be a reliable partner. This strategy will pay off in the long term.

“At the moment, times are tough again. The price of corn, our main crop, has dropped by around 20 percent. Droughts are also causing us problems. The weather is one of the factors that impact our work the most. We are attempting to mitigate the effects by working fields in various parts of Illinois, so if there is a drought in the southern part of the state, then perhaps there is rain in the north. We are now also growing soybeans, which can handle dry conditions better. Sometimes we store the corn or soybeans for several months if the prices are too low, but that is always a tough decision, because prices could continue to drop. I rely on my experience – and a little on my intuition – in those cases.

“Technology is also an important issue. In bad times, we only invest in those things that we desperately need. As a general rule, we never buy something just because we like it. Instead, we buy equipment that will actually boost our efficiency. Our agricultural machines should in fact pay for themselves through the costs they save us.”



Herby Whyte
Agricultural machinery dealer,
Christchurch, New Zealand

“I ignore what I cannot change.”

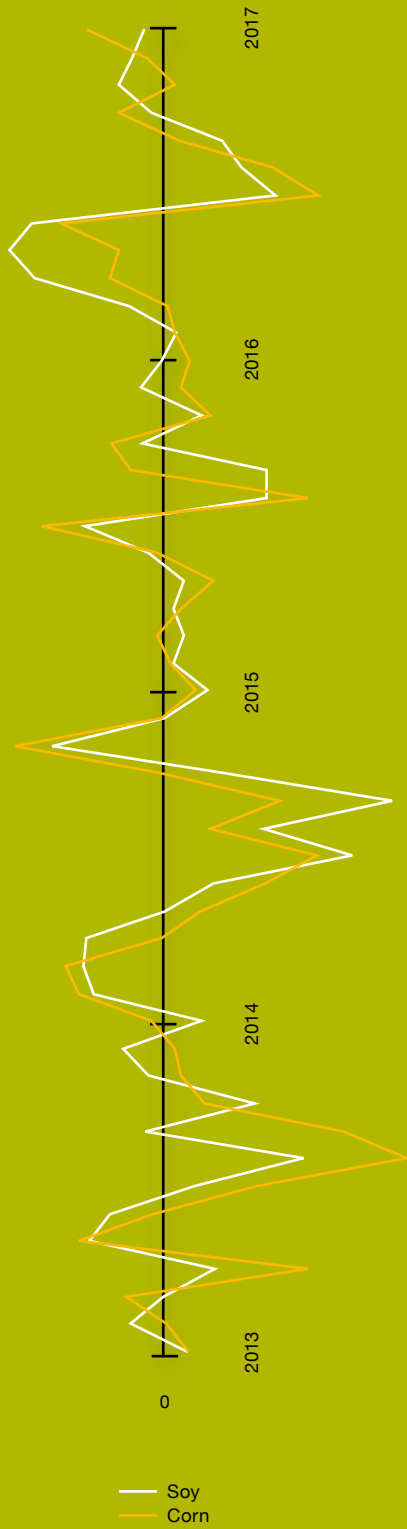
Even at the age of 72, Herby Whyte still gets up every morning at 5 am and reads through the daily financial reports of his company, Landpower. “I look through the key performance indicators, make a few notes, and then I go swimming, fishing, or skiing in the winter.

His passion for business figures is one of the reasons why Landpower has been extremely successful in selling agricultural machinery for more than four decades now in New Zealand and Australia. “Anyone who builds a company from scratch is forced to deal with these things,” Whyte says. “For example, the currencies in New Zealand and Australia are highly volatile, and in our capital-intensive business, a drop in value can quickly threaten a company’s continued existence.” This is why Whyte devised a strict exchange-rate strategy in order to be equipped for fluctuations of this nature.

Whyte started out as a farmer. He was never able to find the right machines in New Zealand for growing potatoes, so one day he imported them himself. In 1975, he switched over entirely to trade and founded his company. Today, Landpower is the biggest wholesaler of agricultural machinery in Australia and New Zealand.

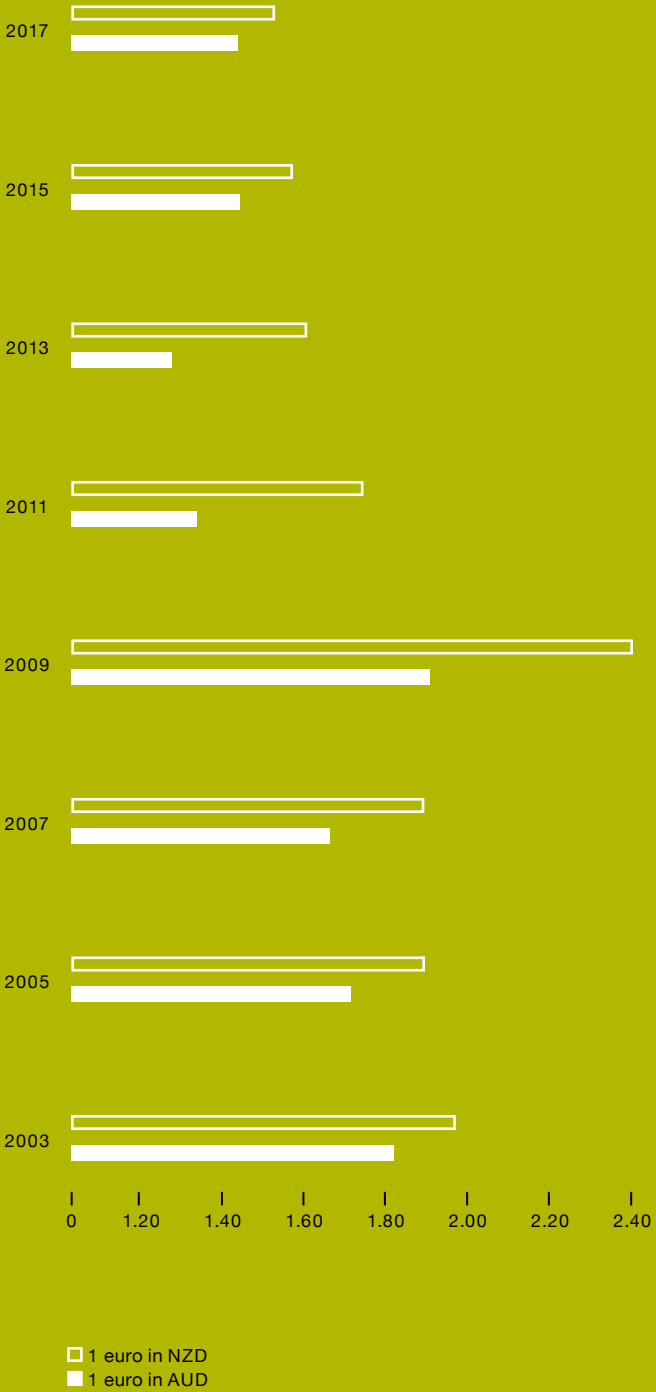
Whyte describes his own role now as that of a manager serving in an advisory capacity. When it comes to things that he cannot plan or change, he is as relaxed as he is scrupulous when it comes to his figures. “I ignore what I cannot change, such as the weather.”

Price fluctuations for soy and corn in the U.S.



Average monthly prices in USD/t according to the U.S. Department of Agriculture

Exchange rate fluctuations



Exchange rate development of the New Zealand and Australian dollar compared to the euro



“I actually only say ‘we’ anymore.”

“We have to constantly prepare ourselves for new situations. In particular, climate change and the new regulations on the use of pesticides are currently affecting us, and we are responding by investing in new machinery. We always run a certain risk with this, but our customers expect us to use the most state-of-the-art agricultural machines and to match them exactly with their needs and wishes. If we didn’t, we would lose our customers.

“With a team of up to 26 employees, we currently provide all agricultural services, which include preparing the soil, sowing, harvesting, baling hay, and ensiling. We have nearly 40 years of experience. A lot has changed during this time. We now practice precision farming, for example with the JAGUAR models from CLAAS, which enable us to work in the fields with incredible precision.

“One thing that has stayed the same is the effect of the seasons. This cycle continues to dictate our business to this day. When the winter takes hold, things always calm down some. I use these months to attend exhibitions and focus on new technologies. It is also the period when I make all of my investments.

“We can handle fluctuations better today than in the past, as our economic livelihood no longer depends on one annual harvest. We plan for the long term and have become large enough that we can absorb annual fluctuations well. We continue to partner with other companies. For example, a network by the name of Cleo brings together numerous agricultural operations that join forces to grapple with political and natural challenges. I actually only say ‘we’ anymore – and we agricultural experts can overcome a lot together.”

Jerôme Coulon
Contractor,
Bouère, France

the fact that the \mathbb{R}^n -valued function \mathbf{f} is continuous at \mathbf{a} if and only if each of its components f_i is continuous at \mathbf{a} . This is a useful result because it allows us to reduce the study of the continuity of a vector-valued function to the study of the continuity of its scalar components.

Another important result is the Intermediate Value Theorem for vector-valued functions. It states that if \mathbf{f} is a continuous function on a closed interval $[a, b]$ and $\mathbf{f}(a) = \mathbf{p}$ and $\mathbf{f}(b) = \mathbf{q}$, then for every point \mathbf{r} on the line segment between \mathbf{p} and \mathbf{q} , there is a point c in $[a, b]$ such that $\mathbf{f}(c) = \mathbf{r}$.

Finally, we mention the concept of a path in \mathbb{R}^n . A path is a continuous function \mathbf{f} from an interval $[a, b]$ to \mathbb{R}^n . The image of \mathbf{f} is the path itself. Paths are important in many areas of mathematics, including physics and geometry.

In conclusion, the study of vector-valued functions is a rich and important area of mathematics. It provides a natural way to describe motion and other phenomena in the plane and in space. The results we have discussed here are just a few of the many interesting results in this field.

References:
1. Stewart, J. & Tallman, J. *Calculus: Early Transcendentals*. Cengage Learning, 2011.
2. Stewart, J. & Tallman, J. *Calculus: Early Transcendentals*. Cengage Learning, 2011.

Further Reading:
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Conclusion:
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Executive Bodies

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Foreword by the Executive Board

Dear Business Partners,

The global agricultural equipment market stabilized this year. Positive momentum mainly came from Eastern Europe, where good harvests led to increased demand for modern agricultural equipment. By contrast, the situation was mixed in the rest of Europe and on the other continents.

In this phase, CLAAS was able to shift into growth mode and raise sales to €3.76 billion.

Sales improved slightly in Germany, whereas they fell sharply in France – as expected – following the discontinuation of a special depreciation mechanism for farmers. Remarkable growth was generated in Eastern Europe. By contrast, major markets such as China and the U.S. continued to record a decline in sales performance.

Income before taxes and return on sales nearly doubled, allowing us to significantly exceed our original forecast. This development was also aided by the efforts as part of the Fit4Growth efficiency program, which will be continued.

In a year packed with several major international trade fairs, CLAAS unveiled a wide range of innovations offering outstanding benefits for customers. Among those innovations was the new generation of AXION 900 large tractors, with even more powerful engines and a fuel-saving low-speed concept. In forage harvesting, we introduced new drum mowers, as well as tedder and swather models. In materials handling, newly developed telehan-

dlers hit the market. The product portfolio was also significantly expanded to include an own wheel loader series. In the field of combines, CLAAS took a crucial step in the automation of combine harvesting with CEMOS AUTO THRESHING and won a gold medal in the German Agricultural Society (DLG) Innovation Award.

We received a further DLG Medal for the groundbreaking advancement of our track concept in combination with the AXION large tractor. Thirty years ago, CLAAS introduced the first mass-produced combine on full rubber tracks. The TERRA TRAC concept aims to combine the advantages of a track tractor when it comes to traction and soil conservation with the operating comfort of a standard tractor.

Innovations do not simply fall from trees. Instead, they are often the result of years of development and the corresponding capital expenditure. At €217.6 million, our spending on research and development remained very high. CLAAS also invested in a modern working environment, as embodied by the completion of the new electronics development center in Dissen, Germany, and the start of construction on a new test center in Harsewinkel.

For fiscal year 2018, we expect moderate improvement in global agricultural equipment markets. The profitability of farming is likely to increase slightly once again in most regions of the world. At the same time, structural change is leading to rising demand for professional agricultural equipment.



Hermann Lohbeck
Speaker of the CLAAS Group Executive Board and responsible for the Forage Harvesting Division

Given this market assessment, we expect sales to rise in the current fiscal year.

CLAAS, a family-owned company, was in good shape in 2017 thanks in no small part to our committed employees.

Dialogue with our suppliers as well as our sales and financial partners was focused on targets and the future. Current issues were taken into consideration with the aim of reconciling consistency and dynamics in the Company's dealings with employee representatives, the Supervisory Board, and the Shareholders' Committee – all to help our customers do an even better job of harvesting in the future!

On behalf of myself and the entire CLAAS Executive Board, I would like to convey my sincerest thanks for a constructive partnership!

Yours sincerely,

A handwritten signature in black ink, consisting of a series of loops and strokes, positioned to the right of a horizontal line.

Hermann Lohbeck
Speaker of the CLAAS Group Executive Board
and responsible for the Forage Harvesting Division

Report of the Supervisory Board of CLAAS Kommanditgesellschaft auf Aktien mbH



Cathrina Claas-Mühlhäuser and Helmut Claas

Dear Business Partners,

The Supervisory Board of CLAAS KGaA mbH monitored and analyzed the Group's business situation and risk position at its regular meetings during fiscal year 2017. The Supervisory Board's assessments were based on reports by the Executive Board on the Group's strategic orientation, its financial position and financial performance, deviations from the plans made throughout the course of business, and operating decisions. The reports were received in two sessions and used in the decisions made by the Supervisory Board.

The Supervisory Board's deliberations focused on the sales and earnings outlook, the development of business in comparison to budgets, the acceptance of the auditor's report, the auditing of the annual financial statements of CLAAS KGaA mbH and the CLAAS Group, as well as the plans for the year 2018 and for the medium term.

Furthermore, the Supervisory Board discussed the targets for the proportion of women in management positions, the status of digitalization, and the product range. The Supervisory Board also studied a report regarding risk management at the CLAAS Group.

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

The financial statements of CLAAS KGaA mbH and the consolidated financial statements of the CLAAS Group as of September 30, 2017, as well as the management reports for CLAAS KGaA mbH and the CLAAS Group, were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, Germany, the auditors elected at the annual general meeting on January 13, 2017, and appointed by the Supervisory Board. The statements and reports received an unqualified audit opinion on November 23, 2017.

The financial statements of CLAAS KGaA mbH, the consolidated financial statements and management reports, as well as the proposal for the appropriation of profit were presented to the Supervisory Board upon their completion. These documents as well as the auditor's reports were available to the members of the

Supervisory Board and were discussed in detail at the Supervisory Board meeting on December 7, 2017, in the presence of the auditor.

The Supervisory Board then passed the following resolution:

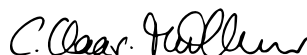
Having examined the financial statements of CLAAS KGaA mbH, the consolidated financial statements and management reports, as well as the proposal for the appropriation of profit, the Supervisory Board confirmed the results of the audit. No objections were raised. The Supervisory Board therefore approves the consolidated financial statements. It recommends to the shareholders that the annual financial statements of CLAAS KGaA mbH for fiscal year 2016/2017 be adopted and agrees with the proposal for the appropriation of profits made by the Executive Board of the personally liable partner.

The Supervisory Board would like to thank the Executive Board and all employees for their high level of personal commitment during fiscal year 2017.

The task at hand for the new fiscal year will be to continue systematically implementing the measures for achieving the strategic growth and profitability targets.

The focus throughout this will be on product innovation; digital products, services, and business models; efficient structures in production and sales; and the qualification and development of employees.

Harsewinkel, December 7, 2017



The Supervisory Board
Cathrina Claas-Mühlhäuser
(Chairwoman)



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

Executive Board of the CLAAS Group



Bernd Ludewig
Sales and Service



Hans Lampert
Finance and Controlling



Hermann Lohbeck
Speaker of the CLAAS
Group Executive Board,
Forage Harvesting



Thomas Böck
Technology
and Systems



Dr. Jens Foerst
Tractor Division



Jan-Hendrik Mohr
Grain Harvest



Structure of CLAAS KGaA mbH

Personally Liable Partner

Helmut Claas GmbH

KGaA Shareholders

Family Helmut Claas

Family Günther Claas

Family Reinhold Claas

Shareholders' Committee

Helmut Claas, Chairman

Cathrina Claas-Mühlhäuser, Deputy Chairwoman

Supervisory Board

Cathrina Claas-Mühlhäuser, Chairwoman

Jürgen Schmidt, Deputy Chairman*

Christian Ernst Boehringer

Helmut Claas

Patrick Claas

Reinhold Claas

Kai Gieselmann*

Michael Köhler*

Gerd Peskes

Rainer Straube*

Heinrich Strotjohann*

Carmelo Zanghi*

* Employee representatives

Group Executive Board**

Hermann Lohbeck

Thomas Böck

Dr. Jens Foerst (from June 2017)

Lothar Kriszun (until September 2017)

Hans Lampert

Bernd Ludewig

Jan-Hendrik Mohr

** Executive Board of Helmut Claas GmbH

Authorized Company Representatives

Stefan Belda

Gerd Hartwig

the 1990s, the number of people in the world who are employed in the service sector has increased from 20% to 40% (ILO 1998). The service sector is now the largest sector in the world economy.

There are a number of reasons why the service sector has become so important. One reason is that the service sector is becoming more important in the world economy because of the increasing importance of services in the world economy. Another reason is that the service sector is becoming more important because of the increasing importance of services in the world economy.

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Group Management Report

Our Strategy

For decades, our industry has benefited from agriculture industry drivers: Agricultural production has risen to meet the demands of global population growth as well as increasing demand for higher-quality food and for raw materials in both nutrition and energy generation. Highly efficient agricultural equipment can help to enhance productivity and thereby generate higher yields from less arable land and water. Additional drivers of our industry are globalization and digitalization, which are driving new business models.

As a harvesting specialist, CLAAS has always understood agricultural processes and knows what is needed out in the field. CLAAS machinery, systems, and services help professional agricultural operations worldwide to manage the tasks they face. This provides CLAAS with the blueprint for the following five strategic directions.

Outperform in traditional markets

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

Generate regional growth

Around the world, farmers are provided with machines that have been tailored to their needs with the quality standards of a premium manufacturer. For instance, in North America, combines are produced that meet the specific requirements of U.S. farmers. In Russia, CLAAS is expanding market access with its new plant and the recognition of the locally produced TUCANO combine as a Russian product. In China, prototypes of a new series of machinery have been developed jointly within the CLAAS network.

Enhance differentiation power

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

Drive top-performing efficiency

CLAAS is well aware of the markets cyclical nature and has successfully coped with market fluctuations repeatedly in the past. The Group-wide "Fit 4 Growth" program for enhancing efficiency launched in 2014 has significantly contributed to profit

improvement. The goal is to achieve profitability improvements despite a difficult market environment, thereby setting the stage for future growth. Various projects at all companies have contributed to the success. Improving manufacturing and production costs, enhancing efficiency in research and development, as well as optimizing administrative and selling expenses remain ongoing management tasks.

Industry Trends

Economic frameworks

In the 2017 calendar year, global economic growth has increasingly improved compared to the prior year, according to International Monetary Fund (IMF) estimates. Based on China's strengthening economic performance, rising consumer prices, and robust financial markets, 3.5% growth is expected for the full year 2017, compared to 3.2% in the prior year (as of October 2017). The IMF forecasts a slight decline in growth for the eurozone to 2.1% (prior year: 2.5%). In the U.S., economic output is set to grow by 2.5% (prior year: 2.1%). In Eastern Europe, the Russian economy in particular, which has begun to pick up again, is driving growth at 2.1% (prior year: 0.4%). China is expected to see slightly higher growth of 6.8% (prior year: 6.7%).

Development of the global agricultural equipment industry (including municipal, forestry, and garden equipment) fell sharply between 2014 and 2016. Verband Deutscher Maschinen- und Anlagenbau e.V. (VDMA), the German Mechanical Engineering Industry Association, expects global sales of agricultural equipment to rise by 3% year on year to around €102 billion for the current year.

In crop year 2016/17, which, in contrast to the CLAAS fiscal year, ended on June 30, global grain production (excluding rice) rose by 6.3% year on year to 2,121 million tons, according to the U.S. Department of Agriculture (USDA). This positive development was driven primarily by high corn production volumes (+11%). Wheat production also set a new high at 754 million tons (+3%). As in the three years prior, global wheat consumption has been lagging far behind production. Global wheat stocks are at a new record level. This situation led to persistently low prices for most agricultural commodities in the past year and consequently lower agricultural incomes.

Global rice production increased by 15 million tons to 487 million tons, while rice prices saw stable development overall.

Enlarge CLAAS capabilities

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

The low milk prices in the last two years curbed the long-term growth of milk production. Following a sharp decline in the prior year, the price of milk rose in the past fiscal year by approximately 30%, reaching the average level of the last five years.

Regional industry developments

The market volume for professional agricultural equipment in Europe saw a slight further year-on-year decline. Generally positive business in forage harvesting was unable to offset very weak development on the French and Polish markets. Persistently weak grain price development resulted in lower agricultural incomes. In addition, the 2016/17 grain harvest in France - the largest regional market - was far below average. In contrast, the generally positive development of milk prices was responsible for growth on the forage harvesting market.

Eastern Europe's agricultural equipment markets experienced further positive development. Sound harvests and the continuously high need to catch up with regard to professional agricultural equipment provided a big boost to demand compared to the prior year. Russia continued to expand its leading position in wheat exports. Ukraine also set a new grain export record in the past crop year 2016/17.

In contrast, the North American agricultural equipment market deteriorated further. The markets for combines and larger tractors performed worse once more. Despite a slight recovery in grain prices, the willingness of farmers to invest remained low due to machinery that is still quite new. In addition, the export of agricultural commodities was negatively affected by the temporarily strong currency.

The markets in Latin America turned in a positive performance. A recovery in the macroeconomic situations in Brazil and Argentina led to a higher willingness of farmers to invest. In addition, agricultural incomes rose due to record harvests and positive export figures.

Development of the Asian agricultural equipment market varied heavily at local level. In India, above-average rice yields increased sales of agricultural equipment. In contrast, grain

production in China fell slightly. The Chinese agricultural equipment market turned in a stable year-on-year performance.

Financial Performance

Net sales by region ↗ 1

The CLAAS Group generated net sales of €3,761.0 million in fiscal year 2017. As a result, net sales were up 3.6% compared to the prior year and exceeded our expectations. The moderate rise in sales also reflects initial signs of stabilization on the global markets for professional agricultural equipment, following several years of significant market declines. Sales developments on markets relevant to CLAAS varied and partially offset each other. Overall, the change in important exchange rates, such as U.S. dollars, British pounds, or Russian rubles, had no significant impact on sales. The share of sales generated outside Germany amounted to 79.1% (prior year: 78.6%).

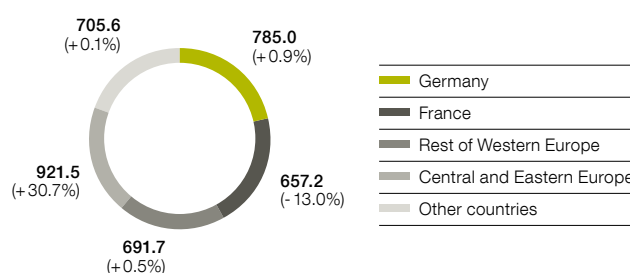
Net sales in Germany totaled €785.0 million (prior year: €777.7 million). The slight increase was mainly the result of successful new machinery sales, particularly forage harvesters, tractors, and combine harvesters. CLAAS managed to defend its good market position for these product groups, and even bucked the general market trend by expanding with regard to tractors. The used machinery, spare parts, accessory components, and service business remained stable at a high level.

At €657.2 million, sales generated in France were down significantly year on year, as expected (prior year: €755.3 million). A temporary special depreciation mechanism for newly purchased agricultural equipment had a positive effect in the prior year on customers' willingness to invest in new machinery. The reduction in used machinery inventories also hit sales of new machinery in the reporting year. Nevertheless, CLAAS maintained its market position with regard to combine harvesters and tractors.

Sales generated in the Rest of Western Europe were stable overall at €691.7 million (prior year: €688.5 million). As in the prior year, the United Kingdom, Italy, and Spain recorded the highest sales figures.

1 – Net sales by Region

in € million/in % compared to prior year



At €921.5 million, net sales in Central and Eastern Europe were up significantly year on year by approximately 31%. With this performance, CLAAS generated the highest level of sales in this region in its history. The main factor driving this development was generally increasing demand for professional agricultural equipment and, in particular, for CLAAS products such as combine harvesters, tractors, and forage harvesters. CLAAS recorded double-digit growth rates in new machine sales for these product groups. CLAAS was able to further expand its market position with regard to combine harvesters and tractors. The Russian Federation and Ukraine contributed the highest sales volume within this region.

Totalling €705.6 million, net sales generated outside Europe were on par with the prior year (€705.1 million), although contributions varied from country to country. In the U.S. and China, sales of new machinery, particularly sales of combine harvesters, declined once again. In the United States, inventories from prior years continued to be quite significant, which also had a negative impact on sales of new machinery. Nevertheless, CLAAS maintained its market position for large combine harvesters. In China, uncertainty over subsidization policies and the exhaust emissions regulations for agricultural machinery also hampered the willingness of customers to invest. Sales growth in Canada was once again particularly robust, with a double-digit percentage increase.

2 – Income Statement (Summary)*

in € million	2017	2016	Change
Net sales	3,761.0	3,631.6	129.4
Cost of sales	-2,944.4	-2,908.7	-35.7
Gross profit on sales	816.6	722.9	93.7
Selling, general and administrative expenses	-408.3	-401.4	-6.9
Research and development expenses	-211.2	-210.4	-0.8
Other operating income, net	15.2	21.1	-5.9
Operating income	212.3	132.2	80.1
Income from investments, net	14.2	13.2	1.0
Financial result	-42.0	-51.9	9.9
Income before taxes	184.5	93.5	91.0
Net income	115.4	37.6	77.8

*Prior-year figures adjusted.

Income ↗ 2

Order-related selling expenses for commissions, packaging, and insurance have been reported under the cost of sales since the start of the fiscal year due to a stronger focus on functional costs within the CLAAS Group. These costs had previously been included in selling expenses. For the same reason, the sales companies' administrative expenses have also been reported under general and administrative expenses since the start of the fiscal year and not under selling expenses, as had previously been the case. The prior year's figures have been adjusted accordingly.

The increase in the cost of sales was mainly due to higher net sales. At 21.7%, the gross profit margin was up by around two percentage points year on year, and was mainly the result of a change in the product and country mix, as well as reduced inventories. The after-sales business had a positive impact, which was offset by an increase in commodity prices and higher personnel expenses.

General selling and administrative expenses were up by 1.7% year on year. Costs therefore increased more slowly compared to sales. The moderate development of costs was due in part to the result from the "Fit 4 Growth" efficiency and cost-cutting program, which will also be systematically pursued in 2018.

Research and development expenses were on par with the prior year's level. They included the development and renewal of harvesting machinery and tractors, as well as investments in electronics architecture for machine control and connectivity, and expenses for the digitalization of agricultural processes. Please refer to the section on "Research and Development" for more information.

The decrease in other operating income was largely due to overall higher expenses from the measurement of receivables, investments in structural improvement measures, and litigation costs related to legal disputes. Expenses in the prior year included in particular an impairment of the goodwill from CLAAS Agricultural Machinery (Shandong) Co. Ltd., Gaomi, China. This was offset by the reversal of provisions no longer needed in their entirety in the reporting year.

Income from investments, net, mainly includes the respective share of income from the financing and leasing business of the CLAAS Financial Services companies.

The improvement in the financial result is mainly due to lower interest expenses and the favorable development of foreign exchange gains and losses. The devaluation of the Argentinean peso compared to the U.S. dollar following the country's change in government, together with the resulting currency liberalization, had a negative impact on the foreign exchange gains and losses in the prior year. No comparable effect occurred in the reporting period. In addition, CLAAS was able to benefit within the scope of its hedging strategy from the development of important currencies, such as the U.S. dollar or the Polish zloty. In contrast, the weak British pound as a result of the Brexit decision, in combination with volume expansion in the United Kingdom, had a negative impact on the foreign exchange gains and losses.

Income before taxes nearly doubled year on year, thereby significantly exceeding our expectations at the start of the fiscal year. The favorable development was due not least to the profitability of a number of foreign subsidiaries, which is reflected in the change in the Group tax rate. The return on sales before income taxes amounted to 4.9% (prior year: 2.6%).

Cash Position

Liquid assets ↗ 3

As of the reporting date, the CLAAS Group had liquidity of €937.6 million (prior year: €842.4 million) that was mainly invested in short-term securities.

3 _ Net Liquidity

in € million	Sept. 30, 2017	Sept. 30, 2016	Change
Cash and cash equivalents	226.6	512.5	-285.9
Securities	711.0	329.9	381.1
Liquid assets	937.6	842.4	95.2
Financial liabilities*	617.3	718.4	-101.1
Net liquidity	320.3	124.0	196.3

*Excluding derivative financial instruments.

Financial liabilities and credit facilities

The U.S. private placement as well as the Schuldschein-darlehen (German Private Placement) are the largest individual financial liabilities items. The reduction in financial liabilities was mainly due to the early repayment of the €50.0 million floating-interest tranche of the Schuldscheindarlehen (German Private Placement) issued in 2015. CLAAS also reduced its short-term liabilities to banks.

The CLAAS Group had access to credit facilities from banks as well as a flexible syndicated loan totaling €718.6 million as of the balance sheet date for general financing purposes, €651.2 million of which was unutilized.

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

Off-balance-sheet measures

CLAAS uses the asset-backed securitization program (ABS) to sell trade receivables to a structured entity on a revolving basis. Due to the seasonal nature of sales realization in the agricultural equipment industry, substantial financing is needed during the course of the year. By contrast, at the end of the fiscal year, the relatively lower level of capital tied up in working capital generally leads to high liquidity levels. The ABS program helps to effectively reduce seasonal liquidity fluctuations. The volume of receivables transferred amounted to €237.4 million as of September 30, 2017 (prior year: €228.2 million).

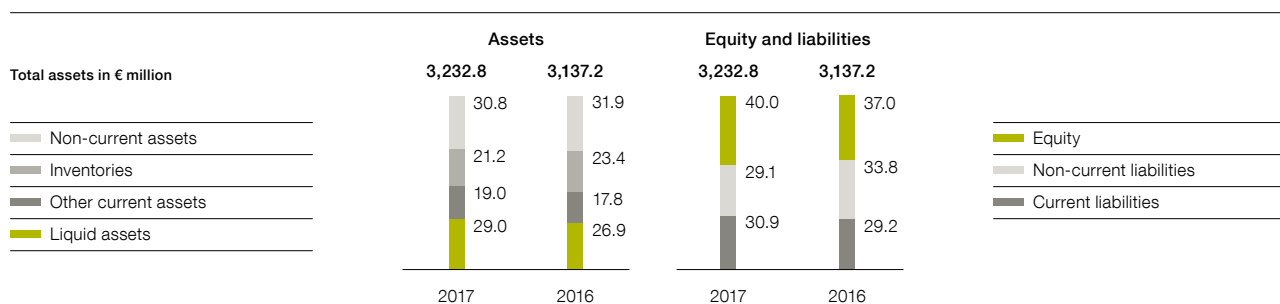
Future payment obligations from operating leases amounted to €124.3 million (prior year: €140.9 million). Operating leases are mainly used to finance real estate, as well as vehicle fleets and IT equipment.

Asset and capital structure ↗ 4

Non-current assets were covered by long-term financing, consisting of equity and non-current liabilities, at a ratio of 224.2% as of the balance sheet date (prior year: 221.6%). Non-current assets plus 50.0% of inventories were financed by long-term financing at a ratio of 166.9% (prior year: 162.3%). These figures demonstrate that the CLAAS Group continues to have a sound capital structure.

4 _ Balance Sheet Structure

in %



Cash flows ↗ 5

5 _ Statement of Cash Flows (Summary)

in € million	2017	2016	Change
Cash and cash equivalents at beginning of year	512.5	582.6	-70.1
Cash flows from operating activities	345.0	246.0	99.0
Cash flows from investing activities	-511.7	-183.8	-327.9
Cash flows from financing activities	-116.5	-127.2	-10.7
Effect of foreign exchange rate changes on cash and cash equivalents	-2.7	-5.1	2.4
Change in cash and cash equivalents	-285.9	-70.1	-215.8
Cash and cash equivalents at end of year	226.6	512.5	-285.9

The rise in cash inflows from operating activities was mainly due to higher net income, the creation of current provisions, and the reduced level of funds tied up in working capital resulting from the reduction in inventories.

The change in the cash outflow from investing activities mainly includes the net outflow from the purchases and sales of securities in the context of liquidity management of €376.3 million (prior year: €56.3 million). Increased capital expenditure also enhanced this effect.

The cash outflow from financing activities mainly resulted from the repayment of liabilities to banks, the partial repayment of Schuldscheindarlehen (German Private Placement), as well as dividend payments.

Capital Expenditure ↗ 7

Capital expenditure in the reporting year amounted to €130.7 million. The additions mainly relate to investments in the construction, expansion, and modernization of production sites, in new technologies, and in innovative products. The ratio of capital expenditure to sales stood at 3.5% (prior year: 3.4%).

7 _ Capital Expenditure, Depreciation/Amortization and Impairment

in € million

Year	Capital expenditure	Depreciation/amortization and impairment
2015	128.3	111.3
2016	122.2	102.8
2017	130.7	116.2

■ Capital expenditure
■ Depreciation/amortization and impairment

The development of the free cash flow due to the influences described is as follows: ↗ 6

6 _ Free Cash Flow

in € million	2017	2016	Change
Cash flows from operating activities	345.0	246.0	99.0
Net capital expenditure in intangible assets, property, plant and equipment, borrowings and investments	-135.4	-127.5	-7.9
Free cash flow	209.6	118.5	91.1

Investments in the construction, expansion, and modernization of production sites were mainly made in Germany, the United Kingdom, and France. Construction of the new electronics development center at the site in Dissen, Germany was completed on schedule in 2017. In Dissen, more than 150 employees develop control units, electronics architecture, terminals, automatic steering systems based on satellite signals, as well as many other solutions for increasingly digitally connected agriculture. Construction of a new test and reference track at the site in Bad Saulgau, Germany is now under way.

A new test center is being built at headquarters in Harsewinkel, Germany. It will consolidate validation steps for new products, pool capacities, and allow for tests to be performed more independently of the harvest windows. Different global conditions in the field can be simulated at the test center and also repeated there without limitation.

A new energy-efficient office building is under construction at the site in Saxham, United Kingdom for CLAAS U.K. Ltd.

Further measures for increasing efficiency in the production process were taken at the tractor production site in Le Mans, France.

Investment also focused on expanding the distribution and dealer network as well as its IT infrastructure.

At the end of the fiscal year, CLAAS had financial obligations totaling €16.8 million relating to future capital expenditure.

Financial Position **➤ 8**

8 – Balance Sheet (Summary)

in € million	Sept. 30, 2017	Sept. 30, 2016	Change
Assets			
Intangible assets	223.7	211.4	12.3
Property, plant and equipment	476.2	480.5	-4.3
Investments accounted for using the equity method	115.3	110.6	4.7
Inventories	683.9	733.0	-49.1
Trade receivables	332.6	307.2	25.4
Liquid assets	937.6	842.4	95.2
Other assets	463.5	452.1	11.4
Total assets	3,232.8	3,137.2	95.6
Equity and liabilities			
Equity	1,293.8	1,160.7	133.1
Financial liabilities	617.3	718.4	-101.1
Provisions	900.1	895.9	4.2
Trade payables	205.4	172.2	33.2
Other liabilities	216.2	190.0	26.2
Total equity and liabilities	3,232.8	3,137.2	95.6

Total Group assets rose by €95.6 million year on year to €3,232.8 million. This change mainly reflects the successful development of business with higher net income and the related increase in liquidity.

At €223.7 million, intangible assets were up on the prior year's level, due primarily to the €8.3 million rise in capitalized development costs to €183.2 million.

The rise in investments accounted for using the equity method was mainly the result of the increase in the investments in CLAAS Financial Services S.A.S., Paris, France, to 49.0%, as well as the earnings contributions of the CLAAS Financial Services companies.

The decrease in inventories played a key role in the decline in working capital. Trade receivables and liabilities developed in

opposite directions and ultimately led to a net reduction in working capital. The reasons for this primarily related to focused working capital management. The share of working capital to total assets fell to 26.0%. Working capital developed as follows: **➤ 9**

9 – Working Capital

in € million

2015	1,007.2
2016	892.3
2017	839.5

Other assets rose by €11.4 million to €463.5 million, and primarily comprise deferred taxes, receivables from companies in which equity interests are held, as well as assets from ABS transactions.

Cash Position
Financial Position
Research and Development

The change in the equity of the CLAAS Group was due to a number of - partially opposing - effects; net income of €115.4 million, corresponding to return on equity of 8.9%, had a positive effect, as did the remeasurement of defined benefit obligations that are recognized in retained earnings. However, equity was decreased by the distribution of the dividend for fiscal year 2017 and negative effects from currency translation. The equity-to-assets ratio, that is, the share of equity in total assets, amounted to 40.0% (prior year: 37.0%).

The decline in financial liabilities was mainly due to the repayment of the floating-interest tranche of the Schuldschein-darlehen (German Private Placement) and the reduction of liabilities to banks.

The slight rise in provisions was due to various effects, some of which canceling each other out. Pension obligations decreased by a total of €60.5 million to €298.1 million due mainly to the increase of the discount rate for German and French pension obligations to 1.7% p.a. This was offset by higher tax provisions as well as a rise in obligations from sales and with respect to personnel.

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

Research and Development

€217.6 million for research and development ↗ 10

Research and development is a key component of the corporate strategy at CLAAS, as a premium manufacturer of agricultural equipment. Our products frequently set new benchmarks and trends, and our customers' requirements are always a top priority. On September 30, 2017, a total of 1,286 people (prior year: 1,244) worldwide were employed in research and development at CLAAS; this accounts for 11.7% of the total workforce.

10 – Research and Development Costs*

in € million

2015		203.0
2016		221.4
2017		217.6

* Before capitalized and amortized development costs.

CLAAS filed patents for 114 developments in fiscal year 2017, and therefore has 3,700 active patents worldwide.

Research and development investments decreased by 1.7% in the reporting year to €217.6 million, with activities focusing on new models as well as developments in the area of tractors and harvesting machinery. Investments in electronics architecture for machine control and connectivity as well as in the digitalization of agricultural processes also continue to account for a significant share of the CLAAS Group's total research and development costs. The ratio of research and development costs to sales recognized in profit and loss was down slightly year on year at 5.8% (prior year: 6.1%). Development costs

of €40.9 million (prior year: €40.6 million) were capitalized, equating to an R&D capitalization ratio of 18.8% (prior year: 18.3%). The amortization and impairment of capitalized development costs amounted to €34.4 million (prior year: €29.6 million) in the reporting year.

Innovative products and developments

CLAAS has further developed the successful JAGUAR 900 forage harvester series, and now offers the models with a number of new features. They include an infinitely variable front attachment drive, an even better crop flow system, a new chassis concept, and the CLAAS AUTO FILL system. This system for lateral crop discharging during chopping operations minimizes loss during the discharge process and makes the job that drivers of transport vehicles and forage harvesters have to perform significantly easier.

The new generation of the AXION 900 tractor series with many new features is now available. These include even more powerful engines with a low-engine speed concept, a further optimized CMATIC transmission control system, the new CEBIS terminal with a touchscreen display, the CMOTION multifunctional joystick, and the new CIS+ (CLAAS INFORMATION SYSTEM) configuration with multifunctional armrest. CLAAS has also introduced the new generations of the ARION 500 and 600 series with expanded features, a wider range of engines, and more new solutions. These include the new CIS+ configuration, the new CEBIS terminal, advanced HEXASHIFT and CMATIC transmission functions, and the newly developed PROACTIV front axle suspension from CLAAS.

In addition to the proven basic CIS configuration and the deluxe CEBIS comfort version, CLAAS is now offering a third option with CIS+. The new CIS+ is designed especially for customers looking for better convenience and efficiency by working with additional electronic functions, but who do not need all of the features included in the new CEBIS terminal.

CLAAS has completely overhauled the smallest models from the well-established VOLTO series of tedders. The three new models - the VOLTO 45, 55, and 65 - stand out with a new design as well as numerous technical innovations, including the proven MAX SPREAD crop flow concept and a maintenance-free PERMALINK drive system.

In addition, CLAAS has completely redesigned its robust front and rear mowers from the CORTO series and now offers technological innovations with the new drum mowers that guarantee impressive harvesting performance, convenience, and durability even under tough conditions. The innovations include the ACTIVE FLOAT hydraulic suspension system, adjustable swathing discs, and, for the CORTO CONTOUR rear mowers, central hanger at the center of gravity.

With the introduction of the new LINER 1700 TWIN, LINER 1800 TWIN, and LINER 1900 twin-rotor swathers, as well as the LINER 320 single-rotor swather, CLAAS has rounded out its swather range and, thanks to numerous technical innovations, can offer the right machine for every need. The new twin-rotor swathers deliver the powerful performance that intensive grassland farms need, while the LINER 320 is a perfect choice for smaller areas and hillsides.

The slogan for this year's French agribusiness show SIMA was "Being a Farmer in 10 Years." CLAAS presented the CLAAS Tractor Interactive Guide, which brings virtual reality and augmented reality into the world of agricultural equipment, with clear benefits for customers. The guide explains the different functions in the CLAAS tractor cab and is available as a free app for smartphones and tablets.

During field work without fixed reference points, such as soil cultivation or harvesting, it is often difficult for the driver find the optimal next track. TURN IN is an extension to the CLAAS steering systems that are already available, and offers a new function that automatically guides the driver into the best track on turning.

Awards

CLAAS was awarded the jury's special honor - "Machine of the Year 2017" - for the JAGUAR with SHREDLAGE® technology at the French SIMA 2017 exhibition. This technology is a new form of corn silage preparation with unusually long chop lengths of 26 to 30 millimeters. Subsequent processing with SHREDLAGE® cracker technology is key.

CLAAS has again been honored with the internationally renowned "iF Design Award" in 2017. In the "Product: Automobiles/Vehicles" category, CLAAS won with the JAGUAR 900, while the RTK FIELD BASE mobile GPS reference station took gold. Both products impressed the jury with their harmonious blend of technology and appealing design.

The RTK FIELD BASE improves standard GPS signals and transmits them within a range of up to six kilometers, thereby automatically steering entire fleets of agricultural equipment across fields with a high level of precision. The CLAAS RTK FIELD BASE is superior compared to competing products, because customers are able to enter all settings right on the display.

At the AGRITECHNICA 2017 exhibition, CLAAS won one of the two gold medals with its new auto threshing unit known as CEMOS AUTO THRESHING, intended for straw walker and hybrid combine harvesters. CLAAS also won four silver medals for its technological innovations. They were awarded to the AXION 900 TERRA TRAC, which is the first half-track tractor with full suspension; the CEMOS driver assistance system, which helps the driver find the optimum setting for tractors and implements; the CULTI CAM stereoscopic row camera, which analyzes the leaf structure of the row crop; and the Large Vehicle Alert System, which informs car drivers of agricultural machinery on their route.

Purchasing

The first half of fiscal year 2017 was characterized by significant increases in the price of steel, non-ferrous metals, plastics, and rubber. The conclusion of long-term production material contracts, some of which were signed already in 2016 for fiscal year 2017, helped to avert or delay these price increases.

Projects within the scope of the “CLAAS Super Saver” program continued to be implemented. The various measures defined at product-group level are having an increasingly positive impact on profitability. The medium-term measures are being implemented as part of the CLAAS 2020 purchasing strategy.

Global sourcing projects were a key purchasing lever in fiscal year 2017 as well, and they continued to undergo further expansion, particularly in China and India.

CLAAS was able to realize further savings in logistics purchasing due to the optimization of the supply chain, persistently low diesel prices, and low fuel supplements for sea freight. In May 2017, a new railroad concept for transports of harvesting

machinery was successfully implemented at German seaports. In addition, a large call for tenders for low-loading transports was issued with effect for the next three years.

The annual negotiations between Russia and Poland in terms of issuing transport licenses proved to be difficult due to the conflict in Ukraine. As a result, sudden and significant bottlenecks occurred in providing truck transport volumes from and to Russia. Early booking of the remaining capacities and switching to alternative routes helped to alleviate the situation.

Substantial investment projects were negotiated and concluded in non-production materials purchasing with capital expenditure focusing in particular on the construction of the test center for CLAAS Selbstfahrende Erntemaschinen GmbH.

Activities also focused on optimizing purchasing processes. This entails the systematic development of catalog solutions and the semi-automation of low-complexity orders.

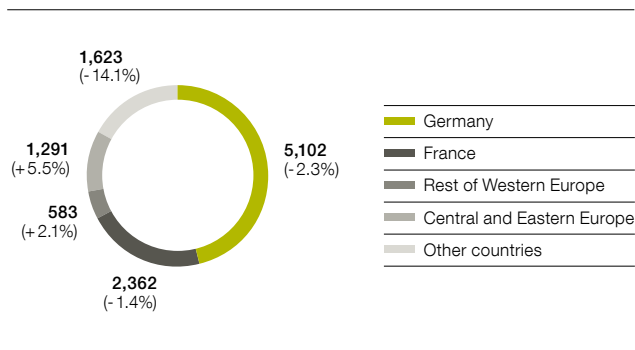
Employees

Personnel expenses and employees ↗ 11

As of September 30, 2017, the CLAAS Group employed a total of 10,961 people (prior year: 11,300) worldwide, approximately 53.5% of which outside of Germany. This reflects the current global economic development of the agricultural industry. The number of employees in Germany was slightly lower than in the prior year.

11 – Employees by Region

Employees/in % compared to prior year



At €673.5 million, personnel expenses were up by around 3.1% year on year (prior year: €653.3 million). This equates to a share in Group sales of 17.9% (prior year: 18.0%).

Length of service and average age

At 14.7 years, the average length of service of employees in Germany in the reporting year was slightly higher than the prior year’s level (prior year: 14.2 years). Employee fluctuation remains low at 7.7% worldwide (prior year: 7.0%). The average age of employees at the CLAAS Group was 40 years in 2017 (prior year: 40 years). The share of core workforce employees aged 50 years or more amounted to approximately 24.5% as of the reporting date, and is expected to rise in the coming years.

Training

As of September 30, 2017, the CLAAS Group employed 677 apprentices (prior year: 697), 405 (prior year: 418) of which in Germany. CLAAS trains young people in Germany in various technical and business professions, and as part of the German “dual study” system. The same applies to the other countries in which CLAAS has operations, such as France, Hungary, the United Kingdom, and India.

Personnel development

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

Junior staff development

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

Employer rankings and employer branding

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

Performance-based pay

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

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

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

Women in leadership positions

Young women are actively encouraged early on in their vocational training or studies. The measures in place include Female Days and a mentoring program for women studying science, technology, engineering, and mathematics. As a result, the share of women applying for our apprenticeship and trainee programs is very high.

At the CLAAS Group, women make up approximately 13% of total staff. We aim to keep the number of women in leadership positions at least stable or, if possible, to increase it.

As to the German law on the equal participation of women and men in leadership positions, the situation at CLAAS is as follows: The target of having women make up 8.3% of the Supervisory Board by June 30, 2017, was met, while at 7.7% and 4.0%, respectively, the targets for the first two management hierarchies were not. The targets for these levels had been set at 8.3% and 9.5%. Failure to meet these targets was due to two female employees leaving.

The new targets set in July 2017 stand at 8.3% for the Supervisory Board and at 7.7% and 4.0%, respectively, for the first two management hierarchies. They apply through June 30, 2022. In setting these targets, CLAAS took into account industry-specific circumstances and the current percentage of women on staff.

Risks and Opportunities

Internal control and risk management system

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

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

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

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

monitoring the adequacy of the risk management system and conformity with regulations.

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

- Group-wide specifications for accounting, measurement, and account coding of key items that are updated and communicated to the responsible departments within the scope of training courses on an ongoing basis;
- Organizational measures in combination with access authorizations for accounting systems, separation of tasks, and rights of disposal;
- Dual control of financial reporting processes and in connection with the preparation of the financial statements;
- Internal audit procedures;
- Activities of external service providers.

The Internal Auditing department conducts regular reviews as well as reviews on a case-by-case basis of key business processes at companies in Germany and abroad. It determines whether legal requirements and internal instructions are being adhered to, and whether the internal control system is effective

and functional. As part of the reviews, the Internal Auditing department agrees on suitable measures with the respective company management team, which are then implemented by the company. The Internal Auditing department also monitors the implementation of these measures. All audit results are reported as well. Internal audit activities, such as annual and audit planning, documentation of audit activities and results, reporting, and follow-up measures, are set forth in rules for the Internal Auditing department and an audit manual. The tasks and activities are based on the rules of the Institute of Internal Auditors and of Deutsches Institut für Interne Revision, and they are supported by audit software.

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

Market risk

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

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

Research and development risk

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

Purchasing risk

On the procurement market, risks arise from potential supplier defaults and quality issues. Risks related to the price development of commodities such as steel have materialized in some cases in the past 1.5 years.

Due to the generally favorable economic situation and the emerging upswing in agricultural equipment, supply risks are currently a key focus.

The careful selection of suppliers is crucial here as well. It requires systematically following the defined supplier strategies, along with continuous technical and financing auditing.

Production risk

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

Personnel risk

CLAAS has a constant need for highly qualified specialists and management executives. CLAAS does not see itself exposed to risks arising from a shortage of certain types of employees on the labor market and resulting delays in finding successors for critical positions. With its personnel strategy, CLAAS focuses above all on in-house junior staff advancement as well as systematic training and personnel development. Aside from dual study programs, the international trainee program ensures that highly qualified employees can be trained within the Company. In addition, CLAAS also offers measures to promote and maintain employee health. For a comprehensive description of personnel activities, please see the "Employees" section.

IT risk

Business processes at CLAAS are supported by powerful, state-of-the-art IT systems. The Group's uniform global IT strategy allows systems as well as security strategies and concepts to be effectively and continuously adapted to reflect current requirements and developments. Cybersecurity threats are actively and continuously monitored. Based on its insights from the monitoring activities, the Group prepares related organizational and technological measures for enhancing IT security, which are then permanently carried out.

In order to avoid disruption, CLAAS places particular importance on standardized hardware and software environments, the integrity and safety of data, and on permissions management. Reliable data backup systems are complemented by systematic and varied employee training.

Legal risk

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

Financial risk

Due to its business activity, the CLAAS Group is exposed to risks and opportunities from exchange rate and interest rate volatility. On the procurement side, the CLAAS Group is exposed to commodity and supply security risks. Credit risks that could result from payment default or delayed payments are

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

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

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

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

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

Overall risk assessment

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

Outlook

Economic frameworks

The IMF estimates that global economic output measured according to gross domestic product will rise by around 3.7% in 2018 and thereby slightly outperform the prior year (as of October 2017). Positive forces expected to drive this trend include the economic output in the Commonwealth of Independent States (CIS), India, and Brazil, which is increasing further. The same applies to China, despite declining growth rate forecasts. The economic output of OECD countries is set to continue experiencing stable development.

The U.S. Department of Agriculture (USDA) expects to see a slight decline in global grain production (excluding rice) for the upcoming crop year 2017/18. Forecasts place production at approximately 2,070 million tons (prior year: 2,121 million tons). The decrease is due primarily to lower expected production volumes of wheat, corn, and soy.

At 751 million tons, the USDA estimates that the wheat harvest will fall slightly short of the record level set in the prior year (754 million tons). Global wheat consumption is also expected to fall slightly. After four consecutive periods of overproduction, production and consumption are now set to converge again. Global inventories outside China are poised to decrease. As a result, prices will likely see slightly favorable development.

At 1,039 million tons, the corn harvest is not expected to match last year's production level (prior year: 1,075 million tons). The ratio of global inventories to consumption is poised to decrease, following six consecutive periods of overproduction in the prior years. Consequently, corn prices stand to recover again as well.

The situation on the global milk market eased considerably in the past harvest year due to lower production quantities paired with consumption levels that continue to rise. As a result, prices will presumably see further favorable development. The milk crisis has strongly accelerated the structural change in agriculture. However, a lack of capacity would now not be able to meet a further increase in consumption in the short term.

Overall, the profitability of farms is set to increase again slightly. The professional agricultural equipment market is expected to continue experiencing moderately positive development.

Regional industry developments

The markets in Western Europe are expected to experience slightly favorable development again. On the heels of past development that was far below average, the French market is now set to be the main force driving this upturn. Current grain production is forecast to increase by approximately 25% compared to the last crop year, putting it back on an average level again. However, the impact of lower grain revenues from the prior years will continue to result in overall weak profitability in agriculture. In addition, the yields and quality levels are poorer in many regions in the current crop year than in the prior year due to suboptimal growing and harvesting conditions. Slight increases in the price of agricultural commodities and milk are helping to counter this situation. In addition, the expanding structural change will continue to support demand for professional agricultural equipment.

The positive trend seen on Central and Eastern European markets is set to continue in crop year 2017 as well. Large production volumes and high export rates for wheat and corn are triggering positive development among agricultural incomes. In addition, the continued need to catch up with regard to professional agricultural equipment is significant, which remains a key driver in the industry. Government-financed tenders for agricultural modernization efforts will also continue to impact the Central Asian market.

The North American professional agricultural technology market is on course for stable development in the current fiscal year, proceeding from an all-time low on the combine harvester and large tractor market. A weaker U.S. dollar could have a favorable impact on exports of agricultural commodities. Conversely, direct payments from the U.S. government to farms are decreasing. Agricultural incomes will likely remain stable at a low level.

The market situation in Latin America is set for further improvement. High production volumes and record export forecasts for corn and soy are triggering positive developments among agricultural incomes. In addition, the amount of arable land is expected to increase further.

Asia's agricultural equipment markets will also continue to see positive development overall. According to current forecasts, rice production could match the record level from the prior year. A new record for wheat production is anticipated in India. The biggest driving forces for Asia's markets remain the increasing demand for meat products, the lower degree of mechanization compared to farming practices in Western countries, and subsidization policies.

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

Expected business performance

Given this market assessment, we expect sales for the CLAAS Group in fiscal year 2018 to be up slightly year on year. In light of the continued trade, financial, and other sanctions imposed against the Russian Federation by the European Union, the U.S., and other countries, as well as countermeasures taken by the Russian Federation in relation to the European Union, negative effects on the sales and income of the CLAAS Group cannot be ruled out. We will nonetheless continue to systematically pursue our strategy and strengthen the position of our products in the growth markets Eastern Europe and Asia. The capital expenditures in the current year are expected to be higher than in 2017. If market conditions change, the volume can be flexibly adapted. We will pressing continuously ahead with the development of innovative products and intelligent technologies in the current year. However, it will take some time for the expenses associated with such development work to be reflected in corresponding revenues. Efforts to enhance efficiency will also continue in the current year. They include measures for sustainable cost reductions that will have a positive impact on the CLAAS Group's earnings performance. We anticipate earnings before taxes to remain stable year on year in the current fiscal year 2018.

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Consolidated Income Statement*

of the CLAAS Group for the fiscal year from October 1, 2016 to September 30, 2017

in € '000	Note	2017	2016
Net sales	(7)	3,760,985	3,631,647
Cost of sales		-2,944,390	-2,908,731
Gross profit on sales		816,595	722,916
Selling expenses	(8)	-241,655	-241,544
General and administrative expenses	(8)	-166,657	-159,874
Research and development expenses	(9)	-211,144	-210,442
Other operating income	(11)	81,946	91,703
Other operating expenses	(11)	-66,754	-70,565
Operating income		212,331	132,194
Income from investments accounted for using the equity method, net	(12)	12,814	12,066
Income from other investments, net	(12)	1,324	1,166
Financial result	(13)	-41,987	-51,965
thereof: interest and similar expenses		(-30,739)	(-35,501)
Income before taxes		184,482	93,461
Income taxes	(14)	-69,035	-55,879
Net income		115,447	37,582
thereof: attributable to shareholders of CLAAS KGaA mbH		114,774	37,195
thereof: attributable to minority interests		673	387

*Adjusted prior-year figures; see Note 6 in the Notes to the Consolidated Financial Statements for further information.

Consolidated Statement of Comprehensive Income

of the CLAAS Group for the fiscal year from October 1, 2016 to September 30, 2017

in € '000	Note	2017	2016
Net income		115,447	37,582
Items to be reclassified subsequently to profit or loss	(36)		
Net unrealized gains/losses from currency translation		-5,454	-10,692
Net unrealized gains/losses from securities		2,690	3,227
Net unrealized gains/losses from derivative financial instruments	(35)	194	2,914
Items never to be reclassified to profit or loss			
Remeasurements of defined benefit pension plans	(30)	51,507	-50,733
Other comprehensive income, after taxes		48,937	-55,284
Comprehensive income		164,384	-17,702
thereof: attributable to shareholders of CLAAS KGaA mbH		163,711	-18,089
thereof: attributable to minority interests		673	387

Consolidated Balance Sheet

of the CLAAS Group as of September 30, 2017

in € '000	Note	Sept. 30, 2017	Sept. 30, 2016
Assets			
Intangible assets	(15)	223,670	211,426
Property, plant and equipment	(16)	476,239	480,488
Investments accounted for using the equity method	(17)	115,346	110,558
Other investments		3,640	3,904
Deferred tax assets	(18)	136,401	156,828
Tax assets		-	26
Other financial assets	(21)	5,855	13,408
Other non-financial assets	(22)	34,491	25,371
Non-current assets		995,642	1,002,009
Inventories	(19)	683,851	732,985
Trade receivables	(20)	332,620	307,224
Tax assets		10,079	19,219
Other financial assets	(21)	208,229	179,954
Other non-financial assets	(22)	64,737	53,395
Securities	(23)	711,053	329,941
Cash and cash equivalents	(24)	226,555	512,490
Current assets		2,237,124	2,135,208
Total assets		3,232,766	3,137,217
Equity and liabilities			
Subscribed capital		78,000	78,000
Capital reserves		38,347	38,347
Other reserves		1,172,230	1,039,745
Equity before minority interests		1,288,577	1,156,092
Minority interests		5,175	4,656
Equity	(25)	1,293,752	1,160,748
Financial liabilities	(26)	546,693	608,895
Silent partnership	(27)	45,209	42,441
Deferred tax liabilities	(18)	2,256	3,729
Other financial liabilities	(28)	6,689	3,906
Pension provisions	(30)	298,119	358,595
Other provisions	(31)	39,848	42,607
Non-current liabilities		938,814	1,060,173
Financial liabilities	(26)	70,576	109,554
Trade payables		205,372	172,193
Other financial liabilities	(28)	76,538	62,132
Other non-financial liabilities	(29)	85,583	77,729
Income tax provisions	(31)	31,788	17,177
Other provisions	(31)	530,343	477,511
Current liabilities		1,000,200	916,296
Total equity and liabilities		3,232,766	3,137,217

Consolidated Statement of Cash Flows

of the CLAAS Group for the fiscal year from October 1, 2016 to September 30, 2017

in € '000	Note	2017	2016
Net income		115,447	37,582
Amortization/impairment of intangible assets and depreciation/impairment of property, plant and equipment	(15), (16)	116,173	124,654
Income from investments accounted for using the equity method, net, if non-cash	(17)	-12,814	-15,265
Change in non-current provisions		10,318	3,947
Change in deferred taxes		-2,804	11,944
Other non-cash expenses (+)/income (-)		27,790	1,499
Cash earnings		254,110	164,361
Change in current provisions		72,801	-36,177
Income from the disposal of non-current assets and securities		-1,440	2,590
Change in working capital		35,199	102,621
thereof: inventories		(37,222)	(129,268)
thereof: trade receivables		(-33,316)	(54,212)
thereof: trade payables		(35,075)	(-72,230)
Other change in assets/equity and liabilities, if not investing or financing activities		-15,696	12,650
Cash flows from operating activities	(37)	344,974	246,045
Payments for investments in			
Intangible assets and property, plant and equipment (net of development costs recognized as an asset)		-87,901	-78,633
Shares of fully consolidated companies and investments		-18,918	-9,461
Borrowings		-36,714	-45,794
Receipts from disposals/divestments			
Intangible assets and property, plant and equipment		2,969	3,018
Shares of fully consolidated companies and investments		2,581	-3,199
Borrowings		38,922	50,008
Repayment of financial receivables of deconsolidated companies		6,491	-
Additions to development costs recognized as an asset	(15)	-42,837	-43,518
Change in securities		-376,328	-56,255
Cash flows from investing activities		-511,735	-183,834
Proceeds from the increase in loans and the issuance of bonds		221,345	215,723
Repayment of bonds and loans		-306,782	-216,077
Repayment of lease liabilities		-225	-355
Proceeds from silent partnership		2,768	2,714
Change in liabilities to shareholders		-328	-76,702
Payment to minority shareholders		-154	-8,995
Dividend payments	(25)	-33,072	-43,572
Cash flows from financing activities		-116,448	-127,264
Effect of foreign exchange rate changes on cash and cash equivalents		-2,726	-5,097
Net change in cash and cash equivalents		-285,935	-70,150
Cash and cash equivalents at beginning of year	(24)	512,490	582,640
Cash and cash equivalents at end of year	(24)	226,555	512,490

Consolidated Statement of Changes in Equity

of the CLAAS Group as of September 30, 2017

in € '000	Other reserves							Equity before minority interests	Minority interests	Equity
	Subscribed capital	Capital reserves	Retained earnings		Accumulated other comprehensive income					
			Accumulated profit	Remeasurements of defined benefit pensions plans	Foreign currency translation	Securities	Derivative financial instruments			
Balance as of Oct. 1, 2015	78,000	38,347	1,241,680	-57,020	-56,477	-3,980	-14,667	1,225,883	5,160	1,231,043
Net income	-	-	37,195	-	-	-	-	37,195	387	37,582
Other comprehensive income	-	-	-	-50,733	-10,692	3,227	2,914	-55,284	-	-55,284
Comprehensive income	-	-	37,195	-50,733	-10,692	3,227	2,914	-18,089	387	-17,702
Dividend payments	-	-	-43,572	-	-	-	-	-43,572	-445	-44,017
Consolidation adjustments	-	-	-8,130	-	-	-	-	-8,130	-446	-8,576
Balance as of Sept. 30, 2016	78,000	38,347	1,227,173	-107,753	-67,169	-753	-11,753	1,156,092	4,656	1,160,748
Net income	-	-	114,774	-	-	-	-	114,774	673	115,447
Other comprehensive income	-	-	-	51,507	-5,454	2,690	194	48,937	-	48,937
Comprehensive income	-	-	114,774	51,507	-5,454	2,690	194	163,711	673	164,384
Dividend payments	-	-	-33,072	-	-	-	-	-33,072	-154	-33,226
Consolidation adjustments	-	-	1,846	-	-	-	-	1,846	-	1,846
Balance as of Sept. 30, 2017	78,000	38,347	1,310,721	-56,246	-72,623	1,937	-11,559	1,288,577	5,175	1,293,752

Notes to the Consolidated Financial Statements

Notes to Consolidation and Accounting

1. Basis of Presentation

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

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

The consolidated financial statements consist of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flows, the consolidated statement of changes in equity, as well as the notes to the consolidated financial statements. To improve the clarity of

presentation, individual items within the consolidated balance sheet and the consolidated income statement have been combined. These items are presented separately and explained in the notes to the consolidated financial statements. The consolidated income statement was prepared using the cost of sales method of accounting.

Please refer to Notes 5 and 6 for details on the accounting and valuation policies, including amendments to accounting policies.

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

These consolidated financial statements relate to the fiscal year from October 1, 2016 to September 30, 2017.

The consolidated financial statements were prepared on November 23, 2017 by the Executive Board of CLAAS KGaA mbH. Approval of the consolidated financial statements by the Supervisory Board is planned for December 7, 2017 at the scheduled Supervisory Board meeting.

2. Scope of Consolidation

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

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

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

Where CLAAS shares control of an entity together with a partner, it must be specified whether the entity is a joint operation or a joint venture. In a joint venture, the parties that have joint control have rights to the net assets of the arrangement. As a rule, joint ventures are accounted for using the equity method. A joint operation exists when the parties that have joint control have direct rights to the assets and obligations for the liabilities. In this case, the prorated assets and liabilities, as well as the prorated income and expenses, are to be recognized as a rule. The joint operations included in the consolidated financial statements as of the reporting date have no material impact on the consolidated financial statements and are accounted for using the equity method.

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

3. Consolidation Principles

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

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

4. Foreign Currency Translation

Transactions in foreign currency are recognized at the relevant exchange rates on the transaction date. In subsequent periods, financial assets and liabilities denominated in foreign currencies are translated at the exchange rates on the balance sheet date.

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

	Sept. 30, 2017	Sept. 30, 2016
Consolidated subsidiaries	66	65
thereof: domestic companies	(21)	(21)
thereof: foreign companies	(45)	(44)
Investments accounted for using the equity method	11	11
thereof: domestic companies	(4)	(4)
thereof: foreign companies	(7)	(7)

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

Newly Established Companies, Investments in Companies, and Divestments

There were no material newly established companies, investments in companies, and divestments in fiscal year 2017.

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

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

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

The exchange rate gains and losses incurred until the balance sheet date from the measurement of financial assets and liabilities are recognized as profit or loss in the income statement.

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

Differences resulting from currency translations are recognized directly in equity as other comprehensive income.

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

		Average rate / €		Closing rate / €	
		2017	2016	Sept. 30, 2017	Sept. 30, 2016
British pound	GBP	0.87	0.78	0.88	0.87
Chinese renminbi	CNY	7.56	7.24	7.85	7.50
Indian rupee	INR	73.01	74.06	77.14	74.92
Polish zloty	PLN	4.29	4.33	4.31	4.30
Russian ruble	RUB	65.95	74.68	67.98	70.85
Hungarian forint	HUF	309.15	311.93	310.75	309.13
U.S. dollar	USD	1.11	1.11	1.18	1.12

5. Accounting Policies

Intangible Assets

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

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

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

Property, Plant and Equipment

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

and 50 years, while other property, plant and equipment have useful lives of between three and 25 years. Depreciation and impairment losses are generally recognized as expenses for the period.

Borrowing Costs

Any borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as a part of the cost of that asset. CLAAS defines qualifying assets as development or construction projects or other assets that will require at least twelve months to complete to a point at which they will be ready for their intended use or sale. If borrowings can be directly allocated to one project, the actual borrowing costs are capitalized. If there is no direct relation, the average capitalization rate of the CLAAS Group is applied. The borrowing cost rate for the reporting period is 2.7% p.a. (prior year: 3.5% p.a.).

Impairment

Goodwill as well as assets that are not available for use are not amortized, but are instead tested for impairment annually as of the balance sheet date. Assets subject to amortization are tested for impairment if there are indications that the carrying amount of the asset is lower than its recoverable amount. The recoverable amount of an asset is the higher of its value in use and the fair value less costs to sell. The recoverable amount is

determined for each individual asset unless assets have been combined into a cash generating unit. The value in use is based on the present value of the expected future cash flows. If the value in use is less than the carrying amount, an impairment loss is immediately recognized as profit or loss. Any subsequent increases in value are accounted for by attributing the value to the cash generating unit or asset, except in the case of goodwill impairment. There were no reversals of impairment losses in fiscal year 2017. 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 0.1% and 1.0% p.a. (prior year: 1.0% p.a.). The value in use is determined on the basis of discount rates ranging between 7.2% p.a. and 10.6% p.a. (prior year: 6.8% p.a. and 13.2% p.a.) and corresponding to the risk-adjusted minimum yield on the capital market.

Investments Accounted for Using the Equity Method and Other Investments

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

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

Impairment losses or reversals of impairment losses on investments accounted for using the equity method and other investments are recognized as profit or loss in income from investments, net.

Deferred Taxes

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

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

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

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

Financial Instruments

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

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

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

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

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

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

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

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

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

Inventories

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

Receivables and Other Financial Assets

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

Adequate allowances are made for anticipated default risks.

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

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

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

ensured. These receivables will continue to be carried on the balance sheet, provided that the risks and rewards associated with the receivables – particularly credit risks and default risks – remain in the CLAAS Group.

Securities

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

They are recognized at fair value or market price.

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

Cash and Cash Equivalents

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

Derivative Financial Instruments and Hedge Accounting

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

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

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

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

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

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

Leases

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

Pension Provisions

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

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

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

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

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

Other Provisions

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

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

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

Liabilities

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

Recognition of Revenues and Earnings

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

Cost of Sales

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

Research and Development Costs

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

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

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

Government Grants

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

Estimates and Management Judgments

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

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

6. New Financial Reporting Standards

Among other things, the IASB has published the following standards, which do not need to be applied in the EU yet and

which CLAAS has not applied early. Standards that are not listed below are insignificant for CLAAS.

Standard/Interpretation	Effective date IASB	Effective date EU	Impact on CLAAS
IFRS 7/IFRS 9 Financial Instruments: Disclosures (Mandatory Effective Date and Transition Disclosures)	Jan. 1, 2018	Yes	Immaterial
IFRS 9 Financial Instruments: Revision and Replacement of All Existing Standards (Classification and Measurement)	Jan. 1, 2018	Yes	May change classification and measurement of financial instruments
IFRS 15 Revenue from Contracts with Customers: New Revenue Recognition Standard	Jan. 1, 2018	Yes	Immaterial
IFRS 16 Leases	Jan. 1, 2019	Yes	Material

IFRS 15 redefines the recognition of net sales. In addition, the standard requires a set of quantitative and qualitative disclosures to enable readers of the financial statements to understand the nature, amount, timing, and uncertainty of net sales and cash flows arising from contracts with customers. The review of the potential impact that the application of IFRS 15 will have on the consolidated financial statements found that, except for expanded disclosure obligations in the notes to the consolidated financial statements, the new standard will not have a material effect.

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

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

Changes to Disclosures on the Consolidated Income Statement

Order-related selling expenses for commission, packaging and insurance have been recognized under cost of sales since the beginning of the fiscal year due to the greater focus on functional costs within the CLAAS Group. Previously, these costs were recognized under selling expenses. For the same reason, sales companies' administrative expenses have been reported under general and administrative expenses since the beginning of the fiscal year and not under selling expenses, as was the case before. The prior-year figures have been adjusted accordingly.

The following table shows functional costs for the current year if these reclassifications had not taken place:

in € million	2017
Cost of sales	2,875.0
Selling, general and administrative expenses	485.6
Research and development expenses	203.3

Notes to the Consolidated Income Statement

7. Net Sales

Net sales pertained almost exclusively to the delivery of goods.

Sales by region can be broken down as follows:

in € '000	2017	2016
Germany	785,027	777,733
France	657,185	755,283
Rest of Western Europe	691,722	688,523
Central and Eastern Europe	921,509	705,015
Other countries	705,542	705,093
Net sales	3,760,985	3,631,647

8. Selling, General and Administrative Expenses*

in € '000	2017	2016
Selling expenses	-241,655	-241,544
General and administrative expenses	-166,657	-159,874
Selling, general and administrative expenses	-408,312	-401,418

*Adjusted prior-year figures.

9. Research and Development Expenses*

in € '000	2017	2016
Research and development costs (total)	-217,576	-221,422
Development costs recognized as an asset	40,851	40,588
Amortization/impairment of development costs recognized as an asset	-34,419	-29,608
Research and development expenses recognized in the income statement	-211,144	-210,442
R&D capitalization ratio (in %)	18.8	18.3

*Adjusted prior-year figures.

10. Personnel Expenses and Employees

The personnel expenses reported in the income statement under functional costs amounted to €673.5 million (prior year: €653.3 million). The average number of employees during the year was as follows:

	2017	2016
Wage earners	5,309	5,396
Salary earners	5,124	5,426
Apprentices	619	649
Average number of employees	11,052	11,471

11. Other Operating Income and Expenses

Other Operating Income*

in € '000	2017	2016
Reversal of provisions	46,995	45,920
Measurement of receivables	3,776	9,268
Grants and subsidies	3,536	3,859
Insurance compensation	1,482	1,824
Disposal of intangible assets and property, plant and equipment	1,245	2,135
Pass-through costs	541	1,015
Rental and leases	433	312
Miscellaneous income	23,938	27,370
Other operating income	81,946	91,703

*Adjusted prior-year figures.

Other Operating Expenses*

in € '000	2017	2016
Measurement of receivables	- 15,302	- 12,177
Personnel expenses	- 11,648	- 8,129
Fees, charges, and insurance premiums	- 2,478	- 2,198
Disposal of intangible assets and property, plant and equipment	- 2,138	- 1,261
Impairment of goodwill	-	- 19,570
Miscellaneous expenses	- 35,188	- 27,230
Other operating expenses	- 66,754	- 70,565

*Adjusted prior-year figures.

12. Income from Investments, Net

in € '000	2017	2016
Income from investments accounted for using the equity method, net	12,814	12,066
thereof: impairment losses on investments accounted for using the equity method	(- 3,323)	(- 538)
Income from other investments, net	1,324	1,166
Income from investments, net	14,138	13,232

13. Financial Result

in € '000	2017	2016
Interest expense	-29,662	-32,998
thereof: profits transferred under a partial profit transfer agreement (CMG)	(- 3,929)	(- 2,343)
Non-current provisions	-3,432	-6,164
Capitalization of borrowing costs	2,355	3,661
Interest and similar expenses	-30,739	-35,501
Interest income	9,102	9,028
Income from other securities and loans, net	591	266
Interest expense and income from securities, net	-21,046	-26,207
Other financial result	-20,941	-25,758
Financial result	-41,987	-51,965

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

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

in € '000	2017	2016
Loans and receivables	6,575	6,566
Available-for-sale financial assets	2,509	2,448
Financial liabilities measured at amortized cost	-29,644	-32,984
Interest expenses and income	-20,560	-23,970

The other financial result can be broken down as follows:

in € '000	2017	2016
Foreign exchange gains and losses, net	-13,130	-18,184
Miscellaneous financial income and expenses, net	-7,811	-7,574
Other financial result	-20,941	-25,758

14. Income Taxes

in € '000	2017	2016
Current income taxes	- 73,838	- 43,935
Deferred income taxes	4,803	- 11,944
Income taxes	-69,035	-55,879

As in the prior year, the underlying income tax rates for foreign companies were between 9.0% and 39.0% (prior year: 18.0% and 39.0%).

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

in € '000	Sept. 30, 2017	Sept. 30, 2016
Securities	- 1,370	- 1,446
Derivative financial instruments	4,691	4,734
Currency effects	-2,041	-2,730
Deferred taxes offset in accumulated other comprehensive income	1,280	558
Remeasurements of defined benefit pension plans	24,183	45,422
Deferred taxes in other reserves	25,463	45,980

Income taxes in the reporting period were €15.5 million higher than the theoretical tax expense that would have resulted from the application of the domestic Group tax rate of 29.0% on income before taxes.

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

	2017		2016	
	in € '000	in %	in € '000	in %
Income before taxes	184,482		93,461	
Theoretical tax expense	-53,500	29.0	-27,104	29.0
Differences in foreign tax rates	2,593	- 1.4	1,725	- 1.8
Tax effects from prior years	2,337	- 1.3	-2,597	2.8
Non-taxable income and non-deductible expenses	-4,000	2.2	-4,045	4.3
Accounting for investments accounted for using the equity method	3,716	-2.0	3,499	-3.8
Effects from changes in tax rates	- 1,046	0.5	44	0.0
Impairment of goodwill	-	-	- 5,675	6.1
Impact of tax losses	- 18,665	10.1	- 18,902	20.2
Other consolidation effects	- 710	0.4	- 552	0.6
Miscellaneous	240	-0.1	-2,272	2.4
Effective tax expense	-69,035	37.4	-55,879	59.8

Notes to the Consolidated Balance Sheet

15. Intangible Assets

in € '000	Concessions, industrial and similar rights and licenses in such rights	Goodwill	Payments made on account	Development costs recognized as an asset	Total
Cost					
Balance as of Oct. 1, 2015	51,980	68,335	691	225,891	346,897
Currency translation	-406	-35	-	20	-421
Additions	5,082	2,269	3,129	43,518	53,998
Disposals	-3,123	-	-	-24,869	-27,992
Reclassifications	395	-	-	-	395
Balance as of Sept. 30, 2016	53,928	70,569	3,820	244,560	372,877
Currency translation	-342	-109	-	-49	-500
Consolidation adjustments	-36	-	-	-	-36
Additions	6,706	-	3,976	42,837	53,519
Disposals	-1,043	-3	-	-2,933	-3,979
Reclassifications	4,980	-	-3,729	-35	1,216
Balance as of Sept. 30, 2017	64,193	70,457	4,067	284,380	423,097
Accumulated amortization and impairment losses					
Balance as of Oct. 1, 2015	33,384	36,188	-	64,953	134,525
Currency translation	-57	-	-	-	-57
Additions (amortization)	5,608	-	-	21,658	27,266
Additions (impairment)	20	19,570	-	7,915	27,505
Disposals	-2,919	-	-	-24,869	-27,788
Balance as of Sept. 30, 2016	36,036	55,758	-	69,657	161,451
Currency translation	-68	-	-	-	-68
Consolidation adjustments	-11	-	-	-	-11
Additions (amortization)	6,093	-	-	34,419	40,512
Additions (impairment)	1,508	-	-	-	1,508
Disposals	-1,032	-	-	-2,933	-3,965
Balance as of Sept. 30, 2017	42,526	55,758	-	101,143	199,427
Carrying amounts					
Balance as of Sept. 30, 2016	17,892	14,811	3,820	174,903	211,426
Balance as of Sept. 30, 2017	21,667	14,699	4,067	183,237	223,670

Development costs in the amount of €42.8 million (prior year: €43.5 million) were capitalized. This includes capitalized borrowing costs of €2.0 million (prior year: €2.9 million). The necessary impairment tests on the capitalized development costs did not lead to any impairment losses (prior year: €7.9 million). The impairment losses in the prior year resulted

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

16. Property, Plant and Equipment

in € '000	Land, land rights and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Payments on account and assets under construction	Finance leases	Total
Cost						
Balance as of Oct. 1, 2015	374,435	461,432	240,444	85,253	2,444	1,164,008
Currency translation	- 1,990	705	- 1,428	2,378	14	- 321
Additions	6,822	14,131	13,207	36,261	-	70,421
Disposals	- 2,060	- 11,034	- 16,201	- 10	-	- 29,305
Reclassifications	34,653	41,874	6,586	- 83,508	-	- 395
Balance as of Sept. 30, 2016	411,860	507,108	242,608	40,374	2,458	1,204,408
Currency translation	- 729	- 237	- 903	- 100	- 5	- 1,974
Consolidation adjustments	- 2	- 10	- 1,186	-	-	- 1,198
Additions	17,159	15,325	12,839	31,897	2	77,222
Disposals	- 1,225	- 8,189	- 10,741	- 407	-	- 20,562
Reclassifications	7,943	12,482	4,240	- 25,881	-	- 1,216
Balance as of Sept. 30, 2017	435,006	526,479	246,857	45,883	2,455	1,256,680
Accumulated depreciation and impairment losses						
Balance as of Oct. 1, 2015	146,444	323,251	158,492	54,064	1,091	683,342
Currency translation	- 319	- 403	- 1,131	1,833	14	- 6
Additions (depreciation)	10,439	36,409	20,317	-	472	67,637
Disposals	- 1,605	- 10,577	- 14,871	-	-	- 27,053
Reclassifications	27,724	28,068	105	- 55,897	-	-
Balance as of Sept. 30, 2016	182,683	376,748	162,912	-	1,577	723,920
Currency translation	405	- 29	- 522	-	- 5	- 151
Consolidation adjustments	-	- 4	- 526	-	-	- 530
Additions (depreciation)	9,868	38,988	19,092	-	468	68,416
Additions (impairment)	2,474	3,263	-	-	-	5,737
Disposals	- 511	- 7,152	- 9,288	-	-	- 16,951
Reclassifications	-	- 31	31	-	-	-
Balance as of Sept. 30, 2017	194,919	411,783	171,699	-	2,040	780,441
Carrying amounts						
Balance as of Sept. 30, 2016	229,177	130,360	79,696	40,374	881	480,488
Balance as of Sept. 30, 2017	240,087	114,696	75,158	45,883	415	476,239

Additions to the cost of assets under construction included €0.4 million (prior year: €0.7 million) in capitalized borrowing costs.

Impairment losses on property, plant and equipment amounted to €5.7 million in the fiscal year (prior year: €0.0 million). Impairment losses are reported under cost of sales.

As in the prior year, the CLAAS Group did not pledge any property, plant and equipment as collateral for liabilities.

As of September 30, 2017, contractual obligations to purchase items of property, plant and equipment amounted to €16.8 million (prior year: €6.5 million).

17. Investments Accounted for Using the Equity Method

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

in € '000	Associates		Joint ventures	
	2017	2016	2017	2016
At equity result	3,102	- 1,411	9,712	13,477
Carrying amount of investments accounted for using the equity method	20,931	23,357	94,415	87,201

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

18. Deferred Taxes

in € '000	Sept. 30, 2017		Sept. 30, 2016	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Intangible assets	1,870	51,268	2,023	50,141
Property, plant and equipment	13,792	18,507	15,876	19,410
Inventories	43,048	2,834	40,902	4,148
Receivables and miscellaneous assets	6,526	9,832	12,377	11,085
Provisions	118,405	1,445	140,119	1,596
Liabilities	9,761	407	1,973	324
Loss carryforwards	81,796	-	77,239	-
Gross amount	275,198	84,293	290,509	86,704
Valuation allowance	-56,760	-	-50,706	-
Netting out	-82,037	-82,037	-82,975	-82,975
Carrying amount	136,401	2,256	156,828	3,729

The tax loss carryforwards at Group level in the amount of €314.6 million (prior year: €260.0 million) may be carried forward until fiscal year 2020 or later. Of this amount, €228.0 million (prior year: €183.3 million) was assessed as non-realizable. Due to lack of recoverability, a valuation allowance has been recognized for €56.8 million (prior year: €50.7 million) of deferred tax assets on loss carryforwards.

The utilization of tax loss carryforwards, on which deferred tax assets had not yet been recognized, did not result in a positive effect in the reporting year, as was also the case in the prior year.

19. Inventories

in € '000	Sept. 30, 2017	Sept. 30, 2016
Raw materials, consumables and supplies	104,691	107,287
Work in progress	68,762	54,434
Finished goods and merchandise	570,787	620,483
Payments made on account	15,015	14,643
Advanced payments received	- 75,404	- 63,862
Inventories	683,851	732,985

A reduction in write-downs of inventories amounting to €13.8 million (prior year: €6.7 million) was recognized in the income statement in the reporting year and recorded under expenses in the cost of sales.

As in the prior year, inventories were not pledged as security for liabilities.

20. Trade Receivables

in € '000	Sept. 30, 2017	Sept. 30, 2016
Gross carrying amount	371,787	340,550
Impairment	- 39,167	- 33,326
Net carrying amount	332,620	307,224

The impairment of trade receivables developed as follows:

in € '000	2017	2016
Impairment at Oct. 1	33,326	31,678
Utilization	- 2,615	- 705
Reversal of/ addition to impairment loss, net	9,688	3,039
Currency translation	- 1,232	- 686
Impairment at Sept. 30	39,167	33,326

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

in € '000	Sept. 30, 2017	Sept. 30, 2016
Neither past due nor impaired	257,108	213,882
Not impaired but past due as per the following time frames:		
up to 30 days	40,982	50,570
31 to 60 days	13,536	12,932
61 to 90 days	5,766	7,115
more than 90 days	12,042	20,833
Trade receivables adjusted individually for impairment	3,186	1,892
Trade receivables	332,620	307,224

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

Asset-backed securitization

Trade receivables are sold on a revolving basis within the scope of an asset-backed securitization program (ABS). At the end of the fiscal year, the nominal volume of the receivables sold and derecognized as a result came to €237.4 million (prior year: €228.2 million).

In some cases, the CLAAS Group retains the share of the sold receivables as part of these sales; this is balanced out under certain circumstances by future credits or netting. The resulting assets amounted to €69.6 million as of the balance sheet date (prior year: €69.4 million).

As part of these sales, the CLAAS Group recognized assets of €13.8 million (prior year: €16.3 million) as of the reporting date for the partially retained provisions for risk of default. The financial liabilities associated with the sales amounted to €23.3 million (prior year: €19.9 million).

21. Other Financial Assets

in € '000	Current	Non-current	Sept. 30, 2017	Current	Non-current	Sept. 30, 2016
Borrowings	-	4,260	4,260	-	5,186	5,186
Receivables from investments	95,898	-	95,898	51,359	1	51,360
Derivative financial instruments	9,885	-	9,885	12,292	6,584	18,876
Creditors with a debit balance	3,176	-	3,176	7,275	-	7,275
Loan receivables	1,250	-	1,250	13,532	-	13,532
Interest receivables	290	-	290	1,126	-	1,126
Miscellaneous	97,730	1,595	99,325	94,370	1,637	96,007
Other financial assets	208,229	5,855	214,084	179,954	13,408	193,362

22. Other Non-financial Assets

in € '000	Current	Non-current	Sept. 30, 2017	Current	Non-current	Sept. 30, 2016
Prepaid expenses	11,514	-	11,514	10,602	-	10,602
Other taxes	49,180	-	49,180	42,062	2,724	44,786
Surplus related to funded benefit obligations	-	13,647	13,647	-	6,308	6,308
Miscellaneous	4,043	20,844	24,887	731	16,339	17,070
Other non-financial assets	64,737	34,491	99,228	53,395	25,371	78,766

23. Securities

A total of €622.5 million (prior year: €226.0 million) of current securities (€711.1 million; prior year: €329.9 million) was attributable to funds.

Of the current securities held at the beginning of the fiscal year, securities with historical costs of €174.1 million were disposed of during the fiscal year (prior year: €136.2 million). As a result of these disposals, gains and losses from exchange rate changes of €0.2 million initially recognized directly in equity (prior year:

€-0.4 million) were recognized as profit or loss in foreign exchange gains and losses, net, for the current period. Furthermore, €2.7 million from the changes in value of current securities were recognized directly in equity in other comprehensive income (prior year: €3.2 million).

Securities totaling €7.6 million (prior year: €5.4 million) are pledged as collateral in order to meet the legal requirements of the German Partial Retirement Act (AltZG).

24. Cash and Cash Equivalents

in € '000	Sept. 30, 2017	Sept. 30, 2016
Checks, cash in hand and bank balances	226,555	241,636
Cash equivalents	-	270,854
Cash and cash equivalents	226,555	512,490

There are drawing restrictions on cash and cash equivalents totaling €24.1 million, of which €23.3 million (prior year: €19.9 million) is attributable to proceeds from trade receivables

transferred under the ABS program that are not freely disposable and are to be transferred to other contracting parties.

25. Equity

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

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

The dividend distributed to shareholders in fiscal year 2017 amounted to €33.1 million.

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

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

26. Financial Liabilities

in € '000	Current	Non-current	Sept. 30, 2017	Current	Non-current	Sept. 30, 2016
Bonds	-	253,893	253,893	-	266,904	266,904
Liabilities to banks	66,656	809	67,465	105,083	-	105,083
Schuldscheindarlehen (German Private Placement)	-	250,000	250,000	-	300,000	300,000
Shareholder loans	3,920	41,991	45,911	4,249	41,991	46,240
Lease payables	-	-	-	222	-	222
Financial liabilities	70,576	546,693	617,269	109,554	608,895	718,449

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

	Nominal volume	Carrying amount Sept. 30, 2017	Coupon in %	Due
Bond 2012	\$300,000,000	€253,893,000	3.98 and 4.08	2022
Schuldscheindarlehen (German Private Placement) 2015	€250,000,000	€250,000,000	0.99 and 1.75	2020 and 2024

Interest on liabilities to banks denominated in various currencies is charged at rates of between 1.6% p.a. and 5.0% p.a. Of these liabilities, €0.9 million are secured (prior year: €0.2 million). The unsecured liabilities to banks are attributable in part to very current liabilities in connection with the ABS program.

In addition, the CLAAS Group had access to credit facilities from banks as well as a flexible syndicated loan totaling €718.6 million as of the balance sheet date for general financing purposes, €651.2 million of which was unutilized.

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

27. Silent Partnership

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

In return for its subordinated capital contribution, CMG receives compensation that is based on the performance of the CLAAS Group. CMG also shares in any Group losses. A total of €5.3 million of the silent partnership can be terminated without cause as of September 30, 2018; additional termination-without-cause rights for €14.1 million apply between fiscal years 2019 and 2022.

28. Other Financial Liabilities

in € '000	Current	Non-current	Sept. 30, 2017	Current	Non-current	Sept. 30, 2016
Bills payable	15,926	-	15,926	4,986	-	4,986
Liabilities to investments	31,769	-	31,769	18,659	-	18,659
Derivative financial instruments	3,122	3,700	6,822	2,193	1,075	3,268
Accrued interest	2,734	-	2,734	2,893	-	2,893
Miscellaneous	22,987	2,989	25,976	33,401	2,831	36,232
Other financial liabilities	76,538	6,689	83,227	62,132	3,906	66,038

29. Other Non-financial Liabilities

in € '000	Current	Non-current	Sept. 30, 2017	Current	Non-current	Sept. 30, 2016
Deferred income	43,256	-	43,256	40,838	-	40,838
Other taxes	35,508	-	35,508	30,064	-	30,064
Social security	6,800	-	6,800	6,752	-	6,752
Miscellaneous	19	-	19	75	-	75
Other non-financial liabilities	85,583	-	85,583	77,729	-	77,729

30. Pension Provisions

Defined Benefit Plans

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

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

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

The defined benefit obligations are composed as follows:

in € '000/Sept. 30, 2017	Defined benefit obligations (DBO)	Fair value of the plan assets	Net obligation
Germany	259,367	451	258,916
France	35,831	-	35,831
United Kingdom	62,522	76,169	- 13,647
Other countries	3,372	-	3,372
Carrying amount	361,092	76,620	284,472
thereof: pension provisions			298,119
thereof: other non-financial assets			13,647

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

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

in € '000	2017	2016
Present value of the defined benefit obligations as of October 1	429,200	349,352
Current service cost	12,354	9,507
Interest cost	5,141	8,451
Actuarial gains and losses	- 74,372	81,591
Past service cost, curtailments and settlements	-	-
Currency translation	- 1,252	- 9,766
Pension payments	- 10,916	- 10,413
Other	937	478
Present value of the defined benefit obligations as of September 30	361,092	429,200

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

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

in € '000	2017	2016
Fair value of the plan assets as of October 1	76,913	75,871
Interest income	1,738	2,690
Actuarial gains and losses	- 183	10,086
Employer contributions	781	967
Employee contributions	338	478
Currency translation	- 1,367	- 11,505
Pension payments from plan assets	- 1,600	- 1,674
Fair value of the plan assets as of September 30	76,620	76,913

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

in € '000	2017	2016
Current service cost	- 12,367	- 9,507
Past service cost	-	-
Interest cost	- 5,141	- 8,451
Interest income	1,738	2,690
Defined benefit plan components recognized in the income statement	- 15,770	- 15,268
Income from plan assets excluding amounts already included in interest	- 183	10,086
Actuarial gains and losses	74,372	- 81,591
Defined benefit plan components recognized directly in equity	74,189	- 71,505

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

Total income from plan assets amounted to €1.5 million in fiscal year 2017 (prior year: €12.8 million).

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

in %	Sept. 30, 2017		Sept. 30, 2016	
	Germany	Other	Germany	Other
Discount rate	1.70	2.29	1.00	1.81
Rate of salary increase	3.00	2.54	3.00	3.14
Rate of pension increase	1.75	-	1.75	-

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

	Sept. 30, 2017		Sept. 30, 2016	
	in € '000	in %	in € '000	in %
Equity instruments	30,404	39.7	23,829	31.0
Bonds	44,492	58.1	44,410	57.7
Cash and cash equivalents	1,273	1.6	706	0.9
Other	451	0.6	7,968	10.4
Plan assets	76,620	100.0	76,913	100.0

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

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

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

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

in € '000	Sept. 30, 2017	Sept. 30, 2016
Discount rate up 50 basis points	-31,785	-41,707
Discount rate down 50 basis points	33,662	44,770

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

The weighted average maturity of the defined benefit obligations was 18.5 years as of September 30, 2017 (prior year: 18.6 years).

In fiscal year 2018, pension payments in the amount of €9.7 million are anticipated. The employer contributions to plan assets are expected to amount to €0.3 million.

Defined Contribution Plans

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

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

in € '000	2017	2016
Defined contribution plans	2,928	1,509
National plans	24,558	23,970
Total cost of defined contribution plans	27,486	25,479

31. Income Tax Provisions and Other Provisions

in € '000	Income tax provisions	Other provisions			Total other provisions	Total
		Personnel obligations	Sales obligations	Miscellaneous obligations		
Balance as of Oct. 1, 2016	17,177	137,725	356,723	25,670	520,118	537,295
Consolidation adjustments	-	-237	-12	-57	-306	-306
Utilization	-9,598	-102,912	-211,181	-8,712	-322,805	-332,403
Reversals	-2,013	-5,063	-44,863	-994	-50,920	-52,933
Additions	26,242	126,004	280,493	22,794	429,291	455,533
Interest/change in interest rate	-	81	1	-53	29	29
Currency translation	-20	-440	-4,300	-476	-5,216	-5,236
Balance as of Sept. 30, 2017	31,788	155,158	376,861	38,172	570,191	601,979
thereof: non-current	-	20,545	12,024	7,279	39,848	39,848
thereof: current	31,788	134,613	364,837	30,893	530,343	562,131

Income tax provisions include current tax obligations.

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

Other Disclosures

32. Contingent Liabilities and Other Financial Obligations

Rental and lease expenses of €51.4 million were recorded in fiscal year 2017 (prior year: €53.9 million). Minimum lease payments will become due as follows for future obligations:

in € '000	Sept. 30, 2017		Sept. 30, 2016	
	Finance leases	Operating leases	Finance leases	Operating leases
Due within 1 year	-	39,927	230	41,959
Due within 1 to 5 years	-	55,810	-	60,774
Due after 5 years	-	28,563	-	38,120
Principal amount of minimum lease payments	-	124,300	230	140,853
Interest portion	-	-	-8	-
Present value of minimum lease payments	-	-	222	-

Lease payments received under non-cancelable sublease agreements amounted to €23.1 million as of the reporting date, and proceeds from future minimum lease payments amounted to €23.0 million.

No provisions were recognized for the contingent liabilities from bills of exchange, guarantees, and other obligations of €17.1 million (prior year: €16.8 million), since the likelihood of risk is considered low.

33. Litigation and Damage Claims

As a result of their general business operations, CLAAS Group companies are involved in a variety of legal proceedings and official governmental proceedings, or are exposed to third-party claims, or there may be a possibility of such proceedings being instituted or asserted in the future (for instance with respect to patents, product liability, or goods supplied or services rendered). Although the outcome of individual

proceedings cannot be predicted with certainty given the unforeseeable nature of events associated with legal disputes, the current assessment is that no significant adverse impact on the results of operations of the CLAAS Group will occur beyond the risks reflected in liabilities and provisions in the financial statements.

34. Additional Disclosures on Financial Instruments

Carrying Amounts of Financial Assets and Liabilities by Categories

in € '000	Sept. 30, 2017	Sept. 30, 2016
Financial assets at fair value through profit or loss	19,862	309,739
thereof: cash equivalents	-	(270,854)
thereof: fair value option	(9,977)	(20,009)
Loans and receivables	763,374	723,332
Available-for-sale financial assets	704,716	313,836
Financial liabilities at fair value through profit or loss	6,822	3,268
Financial liabilities measured at amortized cost	944,256	995,853

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

- Level 1 Measurement based on quoted prices in active markets for identical financial instruments

The values differ for financial liabilities: The carrying amounts of financial liabilities total €617.3 million (prior year: €718.4 million), while the fair value is €618.5 million (prior year: €732.5 million). The entire amount was attributable to Level 2 of the fair value hierarchy.

- 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

Fair Value Hierarchy

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

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, 2017			Sept. 30, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash equivalents	-	-	-	270,854	-	-
Securities	711,053	-	-	329,941	-	-
Derivative financial instruments	-	9,885	-	-	18,876	-
Financial assets at fair value	711,053	9,885	-	600,795	18,876	-
Derivative financial instruments	-	6,822	-	-	3,268	-
Financial liabilities at fair value	-	6,822	-	-	3,268	-

Net Gains or Losses on Financial Instruments

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

in € '000	2017	2016
Financial assets or financial liabilities at fair value through profit or loss	-3,793	-540
Loans and receivables	-23,137	-22,487
Available-for-sale financial assets	656	821
Financial liabilities measured at amortized cost	1,935	6,081
Net gains or losses on financial instruments	-24,339	-16,125

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

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

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

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

35. Derivative Financial Instruments and Hedge Accounting

Hedge accounting is not used for some derivative financial instruments. The changes in fair value for these derivatives are recognized as profit or loss. Where hedge accounting is applied, derivative financial instruments are used to hedge against future cash flows (cash flow hedging). There were no other hedging relationships in fiscal year 2017.

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

in € '000	Sept. 30, 2017		Sept. 30, 2016	
	Assets	Liabilities	Assets	Liabilities
Forward exchange transactions	4,887	5,561	15,434	1,913
thereof: cash flow hedges	(3,840)	(4,199)	(13,276)	(1,788)
Foreign currency options	4,827	1,129	3,376	185
thereof: cash flow hedges	(2,615)	(-)	(2,953)	(-)
Interest rate swaps	-	-	-	1,075
thereof: cash flow hedges	(-)	(-)	(-)	(-)
Others	171	132	66	95
thereof: cash flow hedges	(-)	(-)	(-)	(-)
Derivative financial instruments	9,885	6,822	18,876	3,268
thereof: non-current	-	3,700	6,584	1,075
thereof: current	9,885	3,122	12,292	2,193

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

Changes in the measurement of derivative financial instruments with hedging relationships €0.2 million (prior year: €2.9 million)

were recognized directly in equity as other comprehensive income in fiscal year 2017.

The changes in value of cash flow hedges reclassified from equity to foreign exchange gains and losses, net, in the fiscal year amounted to €4.9 million (prior year: €1.0 million).

The ineffective portion from cash flow hedges, which was recognized as profit or loss in foreign exchange gains and losses, net, amounted to €-0.1 million (prior year: €-0.7 million).

36. Financial Risk Management

Principles of Risk Management

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

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

Credit risk is identified, monitored, and managed for the entire CLAAS Group by the relevant decentralized units, supplemented by Group credit management. The local units focus their activities on operational monitoring and management of

the respective risks in consideration of the locally adapted parameters specified by Group credit management. Group credit management establishes general guidelines, which form the basis for monitoring and managing the locally supervised transactions.

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

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

Credit Risk

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

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

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

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

The collateral held for the purpose of minimizing potential credit risk consists primarily of credit insurance, guarantees from customers or banks, and, in some cases, retentions of title. For the most part, CLAAS has set aside collateral for

trade receivables past due or impaired. This consists mainly of credit insurance, guarantees, and renewed retentions of title. There were no major losses recorded in either fiscal year 2016 or the prior year.

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

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

Risks can also arise from issued financial guarantees. As of September 30, 2017, the maximum risk in the event of utilization amounted to €1.1 million (prior year: €0.8 million). The fair value was calculated as of the date of addition using the "expected value" method, taking into account credit risk reductions (liquidation proceeds) and risks that could arise on the basis of a default probability of 5% to 10% (prior year: 5% to 10%).

Liquidity Risk

The CLAAS Group employs a number of measures to effectively counter liquidity risk. In doing so, liquidity management places top priority on the absolute necessity of ensuring solvency at all times. Liquidity management also aims for a comfortable and cost-efficient liquidity position that will allow the Group to react adequately to opportunities in a dynamic market environment. To meet these goals, value is placed on maintaining sufficient financing commitments (see Note 26) and cash and cash equivalents as well as on the ABS program (see Note 20) and international cash management. Liquidity trends are monitored intensively on an ongoing basis in the form of daily, weekly, and monthly analyses and reports with an

increasing level of detail; future liquidity requirements are projected on a regular basis as part of the financial planning process. This process consists of a rolling three-month forecast, an annual forecast, and a five-year forecast. In addition, the situation with regard to financing conditions for CLAAS on the financial markets is monitored on an 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, 2017	2018	2019	2020	2021	2022	From 2023	Total
Financial liabilities	86,413	13,045	213,045	11,073	171,872	207,118	702,566
Silent partnership	5,264	2,714	2,978	2,971	5,468	25,814	45,209
Trade payables	205,372	-	-	-	-	-	205,372
Bills payable	15,926	-	-	-	-	-	15,926
Liabilities to investments	31,769	-	-	-	-	-	31,769
Derivative financial instruments	3,128	-	-	-	3,833	-	6,961
Miscellaneous	22,987	2,989	-	-	-	-	25,976
Payments due	370,859	18,748	216,023	14,044	181,173	232,932	1,033,779

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

Currency Risk

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

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

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

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

in € '000	Sept. 30, 2017		Sept. 30, 2016	
	Equity	Profit or loss	Equity	Profit or loss
Actual fair value	5,956	1,478	7,860	1,149
Fair value in the event of an exchange rate increase of 10%	28,011	11,334	28,764	5,903
U.S. dollar	10,726	6,741	7,030	5,155
British pound	10,977	3,287	16,357	249
Polish zloty	4,066	1,786	3,003	1,068
Hungarian forint	- 1,080	- 1,327	- 461	- 999
Other	3,322	847	2,835	430
Fair value in the event of an exchange rate decrease of 10%	- 10,417	- 14,729	- 9,527	- 9,493
U.S. dollar	- 1,104	- 5,165	- 5,134	- 7,828
British pound	- 5,627	- 5,838	1,428	203
Polish zloty	- 1,772	- 2,457	- 3,449	- 2,964
Hungarian forint	968	553	997	797
Other	- 2,882	- 1,822	- 3,369	299

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

Interest Rate Risk

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

Value at risk is measured using Monte Carlo simulation, assuming a confidence level of 99.0% and a holding period of ten days. The resulting figure represents the loss in market value of the portfolio of all interest-sensitive instruments, with a probability of only 1.0% that the figure obtained will be exceeded after ten days. Currency derivatives are not included, as any interest-related changes they may be exposed to be insignificant. As of the balance sheet date, the value at risk of all interest-sensitive financial instruments amounted to €1.7 million (prior year: €2.1 million).

Commodity Price Risk

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

37. Disclosures on the Consolidated Statement of Cash Flows

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

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

in € '000	2017	2016
Interest paid	26,048	30,738
Interest received	7,027	7,306
Dividends received	16,736	5,159
Income taxes paid	48,939	69,887

38. Related Party Disclosures

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

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

in € '000	2017	2016
Income	248,433	243,363
Expenses	274,763	276,076
Receivables	80,019	36,621
Liabilities	31,714	12,435

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

The members of the Claas family granted loans totaling €45.9 million in the reporting year (prior year: €46.2 million); of this amount, €3.9 million (prior year: €4.2 million) is due within one year.

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

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

The remuneration paid to members of the Supervisory Board and the Shareholders' Committee totaled €1.1 million in fiscal year 2017 (prior year: €0.8 million).

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

in € '000	2017	2016
Current remuneration	5,912	4,605
Provisions for retirement benefits	71	53
Total Group Executive Board remuneration	5,983	4,658

Retirement benefits were paid to former members of the Executive Board of CLAAS KGaA mbH/the Group Executive Board in the amount of €0.6 million (prior year: €0.6 million). Obligations for current pensions and vested rights of former members of the Executive Board of CLAAS KGaA mbH/the Group Executive Board totaled €12.9 million as of the balance sheet date (prior year: €11.8 million).

39. Auditor's Fees

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

in € '000	2017	2016
Audit services	630	617
Other assurance services	40	73
Tax consulting services	32	71
Other services	7	7
Auditor's fees	709	768

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

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

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

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

41. Events after the Balance Sheet Date

There were no events or developments after the end of the fiscal year that could have led to material changes in the presentation or the measurement of individual assets or liabilities as of September 30, 2017 or that are subject to disclosure requirements.

42. List of Shareholdings

Company and registered office	Shareholding in %	Held through no.
I. Affiliated companies included in the scope of consolidation		
Domestic companies		
1 CLAAS Kommanditgesellschaft auf Aktien mbH, Harsewinkel		
2 BLT Brandenburger Landtechnik GmbH, Liebenthal	50.6	17
3 CLAAS Anlagemanagement GmbH, Harsewinkel	100.0	1
4 CLAAS Bordesholm GmbH, Bordesholm	61.4	17
5 CLAAS Braunschweig GmbH, Schwülper	100.0	17
6 CLAAS Central Asia Investment GmbH, Harsewinkel	100.0	1
7 CLAAS E-Systems KGaA mbH & Co KG, Dissen am Teutoburger Wald	100.0	1 / 14
8 CLAAS E-Systems Verwaltungs GmbH, Dissen am Teutoburger Wald	100.0	1
9 CLAAS Global Sales GmbH, Harsewinkel	100.0	1
10 CLAAS Industrietechnik GmbH, Paderborn	100.0	1
11 CLAAS Material Handling GmbH, Harsewinkel	100.0	1
12 CLAAS Osteuropa Investitions GmbH, Harsewinkel	100.0	1
13 CLAAS Saulgau GmbH, Bad Saulgau	100.0	1
14 CLAAS Selbstfahrende Erntemaschinen GmbH, Harsewinkel	100.0	1
15 CLAAS Service and Parts GmbH, Harsewinkel	100.0	1
16 CLAAS Thüringen GmbH, Schwabhausen	100.0	17
17 CLAAS Vertriebsgesellschaft mbH, Harsewinkel	100.0	1
18 CLAAS Weser Ems GmbH, Molbergen	100.0	17
19 365FarmNet GmbH, Gütersloh	100.0	20
20 365FarmNet Group GmbH & Co KG, Gütersloh	100.0	1
21 365FarmNet Verwaltungs GmbH, Gütersloh	100.0	1
Foreign countries		
22 Anglia Harvesters Ltd., Saxham/United Kingdom	100.0	58
23 Canada West Harvest Centre Inc., Kelowna/Canada	100.0	30
24 CHW Fonds, Luxembourg/Luxembourg		
25 CLAAS Agricoltura S.R.L., Milan/Italy	100.0	43
26 CLAAS Agricultural Machinery Private Limited, New Delhi/India	100.0	9 / 15
27 CLAAS Agricultural Machinery Trading (Beijing) Co., Ltd., Beijing/China	100.0	31
28 CLAAS América Latina Representação Ltda., Porto Alegre/Brazil	100.0	1 / 9
29 CLAAS Argentina S.A., Sunchales/Argentina	100.0	1
30 CLAAS Canada Holdings Inc., Kelowna/Canada	100.0	1
31 CLAAS East Asia Holding Ltd., Hong Kong/China	100.0	1
32 CLAAS Eastern Ltd., Saxham/United Kingdom	100.0	58
33 CLAAS Financial Services Inc., Wilmington/Delaware/USA	100.0	48
34 CLAAS France Holding S.A.S., Fresnes/Paris/France	100.0	1
35 CLAAS France S.A.S., Fresnes/Paris/France	100.0	34
36 CLAAS Global Sales Americas Inc., Wilmington/Delaware/USA	100.0	9
37 CLAAS Global Sales Western Europe S.A.S., Fresnes/Paris/France	100.0	9
38 CLAAS Greater China Holding Ltd., Hong Kong/China	100.0	1
39 CLAAS Holdings Ltd., Saxham/United Kingdom	100.0	1
40 CLAAS Hungária Kft., Törökszentmiklós/Hungary	100.0	1
41 CLAAS Ibérica S.A., Madrid/Spain	100.0	1
42 CLAAS India Private Ltd., Faridabad/India	100.0	1
43 CLAAS Italia S.p.A., Vercelli/Italy	100.0	1
44 CLAAS Jinyee Agricultural Machinery (Heilongjiang) Co. Ltd., Daqing/China	100.0	45
45 CLAAS Agricultural Machinery (Shandong) Co. Ltd., Gaomi/China	100.0	38
46 CLAAS Middle East - FZE, Dubai/United Arab Emirates	100.0	9
47 CLAAS North America Holdings Inc., Omaha/Nebraska/USA	100.0	1
48 CLAAS of America Inc., Omaha/Nebraska/USA	100.0	47


Company and registered office	Shareholding in %	Held through no.	
Foreign countries			
49 CLAAS Omaha Inc., Omaha/Nebraska/USA	100.0	47	
50 CLAAS Polska sp. z o.o., Poznań/Poland	100.0	1	
51 CLAAS Regional Center Central Europe GmbH, Spillern/Austria	100.0	1	
52 CLAAS Regional Center South East Asia Ltd., Bangkok/Thailand	100.0	1	
53 CLAAS Regional Center South East Europe S.R.L., Afumăți/Romania	100.0	1	
54 CLAAS Réseau Agricole S.A.S., Fresnes/Paris/France	100.0	57	
55 CLAAS Retail Properties Ltd., Saxham/United Kingdom	100.0	58	
56 CLAAS Southern Ltd., Saxham/United Kingdom	100.0	58	
57 CLAAS Tractor S.A.S., Vélizy/France	100.0	34	
58 CLAAS U.K. Ltd., Saxham/United Kingdom	100.0	39	
59 CLAAS Western Ltd., Saxham/United Kingdom	100.0	58	
60 Mercator Purchasing S.A., Luxembourg/Luxembourg	100.0		
61 Nebraska Harvest Center Inc., Wilmington/Delaware/USA	100.0	47	
62 OOO CLAAS Vostok, Moscow/Russia	100.0	1	
63 OOO CLAAS, Krasnodar/Russia	99.0	12	
64 S@T-INFO S.A.S., Chalons-sur-Saône/France	100.0	34	
65 TOV CLAAS Ukraina, Kiev/Ukraine	100.0	1	
66 Usines CLAAS France S.A.S., Metz-Woippy/France	100.0	34	
II. Associates accounted for using the equity method			
67 CLAAS Finance Ltd., Basingstoke/United Kingdom	49.0	39	
68 CLAAS Financial Services LLC., San Francisco/California/USA	49.0	48/33	
69 Mecklenburger Landtechnik GmbH, Prützen/Germany	25.1	17	
70 Worch Landtechnik GmbH, Schora/Germany	39.0	17	
III. Joint ventures and joint operations accounted for using the equity method			
71 CLAAS Financial Services Ltd., Basingstoke/United Kingdom	49.0	58	
72 CLAAS Financial Services S.A.S., Puteaux/Paris/France	49.0	1	
73 Fricke Landtechnik GmbH, Demmin/Germany	25.1	17	
74 G.I.M.A. S.A.S., Beauvais/France	50.0	57	
75 TechnikCenter Grimma GmbH, Mutzschen/Germany	30.0	17	
76 Tingley Implements Inc., Lloydminster/Canada	33.3	48	
77 Uz CLAAS Agro MChJ, Tashkent/Uzbekistan	49.0	6	
IV. Other significant shareholdings			
78 AGRAVIS Technik Hessen-Pfalz GmbH, Fritzlar/Germany	EUR 700,000	10.0	17
79 BayWa AG Centre Ltd., Crossfield/Alberta/Canada	CAD 555,557	10.0	30
80 CLAAS Main-Donau GmbH & Co. KG, Gollhofen/Germany	EUR 1,200,000	10.0	17
81 CLAAS Nordostbayern GmbH & Co. KG, Altenstadt an der Waldnaab/Germany	EUR 750,000	10.0	17
82 CLAAS Südostbayern GmbH, Töging am Inn/Germany	EUR 700,000	10.0	17
83 CLAAS Württemberg GmbH, Langenau/Germany	EUR 800,000	10.0	17
84 CS Parts Logistics GmbH, Bremen/Germany	EUR 1,550,000	50.0	15
85 DESICO S.A., Florentino Ameghino/Buenos Aires/Argentina	ARS 13,333	10.0	29
86 Deutsches Forschungszentrum für Künstliche Intelligenz GmbH, Kaiserslautern/Germany	EUR 1,248,000	4.2	1
87 Etablissements Mouchard S.A.S., Les Authieux Ratieville/France	EUR 1,000,000	35.0	54
88 James Gordon Ltd., Castle Douglas/United Kingdom	GBP 390,000	9.0	58
89 Landtechnik Steigra GmbH, Steigra/Germany	EUR 615,000	15.1	17
90 LTZ Chemnitz GmbH, Hartmannsdorf/Germany	EUR 750,000	10.0	17
91 MD-Betriebs-GmbH, Munich/Germany	EUR 25,000	10.0	17
92 NOB-Betriebs-GmbH, Altenstadt an der Waldnaab/Germany	EUR 25,000	10.0	17
93 Pellenc Languedoc Roussillon S.A.S., Lézignan-Corbières/France	EUR 1,000,000	35.0	54
94 Sellars Agriculture Ltd., Oldmeldrum/United Kingdom	GBP 207,500	22.9	58

Management Statement on the Preparation of the Consolidated Financial Statements

These consolidated financial statements for the fiscal year ended September 30, 2017 and the Group management report were prepared by the Executive Board of CLAAS KGaA mbH on November 23, 2017. 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. Prior-year figures were determined in accordance with the same principles. The consolidated financial statements are supplemented by the Group management report and additional disclosures in accordance with Section 315a of the German Commercial Code (HGB).

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

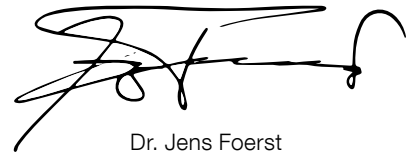
Harsewinkel, November 23, 2017



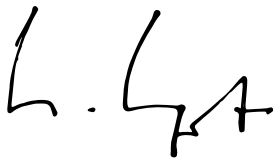
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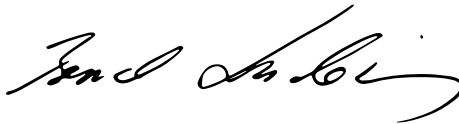
Thomas Böck



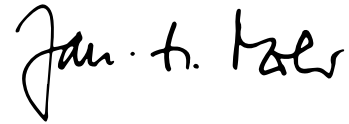
Dr. Jens Foerst



Hans Lampert



Bernd Ludewig



Jan-Hendrik Mohr

Independent Auditor's Report

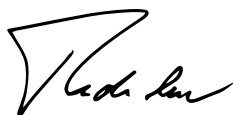
We have audited the consolidated financial statements of CLAAS Kommanditgesellschaft auf Aktien mbH, Harsewinkel, consisting of the income statement, the statement of comprehensive income, the balance sheet, the statement of cash flows, the statement of changes in equity, and the notes to the financial statements, as well as the Group management report for the fiscal year from October 1, 2016 to September 30, 2017. The preparation of the consolidated financial statements and the Group management report in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB) are the responsibility of the Company's management. Our responsibility is to express an opinion, based on our audit, on the consolidated financial statements and the Group management report.

We conducted our audit of the consolidated financial statements in accordance with 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, complies with the legal requirements 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 23, 2017



(Bedenbecker)
German Public Auditor

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft



(Dr. Brüggemann)
German Public Auditor

Locations

Canada

Kelowna
S Canada West Harvest
 Centre Inc.

USA

Columbus/Indiana
S CLAAS of America Inc.

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

San Francisco/California
F CLAAS Financial Services LLC.

Wilmington/Delaware
S Nebraska Harvest Center Inc.

Brazil

Porto Alegre
S CLAAS América Latina
 Representação Ltda.

Argentina

Sunchales
S CLAAS Argentina S.A.

United Kingdom

Basingstoke
F CLAAS Financial Services Ltd.

Saxham
S CLAAS U.K. Ltd.

France

Le Mans
P CLAAS Tractor S.A.S.

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

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

Vélizy
P CLAAS Tractor S.A.S.

Spain

Madrid
S CLAAS Ibérica S.A.

Italy

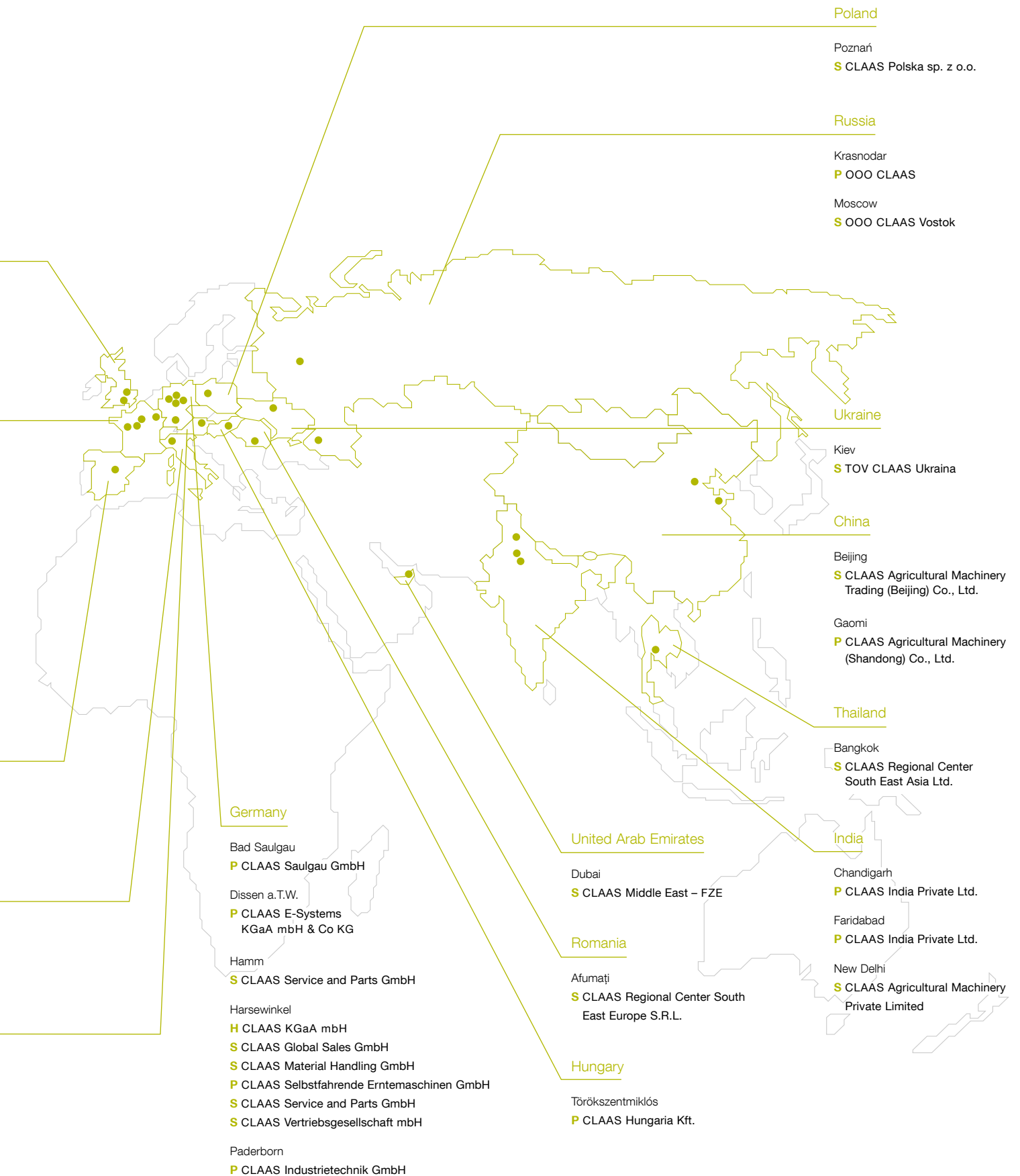
Vercelli
S CLAAS Italia S.p.A.

Austria

Spillern
S CLAAS Regional Center Central
 Europe GmbH

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

Locations



Definitions

Capital expenditure = Capital expenditure for intangible assets (excluding goodwill)
+ capital expenditure for property, plant and equipment

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

EBITDA = EBIT +/- amortization/depreciation/impairment/write-ups of intangible assets;
property, plant and equipment; investments; and borrowings

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

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

Free cash flow = Cash flows from operating activities - net capital expenditure in intangible
assets; property, plant and equipment; borrowings and shares of fully consolidated
companies and investments

Liquid assets = Cash and cash equivalents + current securities

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

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

Working capital = Inventories +/- trade accounts receivable/payable +/- notes receivable/payable

Definitions
Ten-year Overview

Ten-year Overview

in € million	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Financial performance										
Net sales	3,761.0	3,631.6	3,838.5	3,823.0	3,824.6	3,435.6	3,304.2	2,475.5	2,900.8	3,236.2
Research and development costs ¹	217.6	221.4 ⁵	203.0	212.3	197.0	181.2	144.3	122.6	124.8	113.8
EBITDA	335.7	251.9	310.5	327.9	420.5	426.1	377.5	200.3	230.0	385.6
EBIT	215.2	129.0	196.8	194.4	334.7	347.6	292.3	116.1	146.9	282.5
Income before taxes	184.5	93.5	157.7	155.1	295.3	315.6	255.3	77.2	112.3	248.1
Net income	115.4	37.6	105.7	113.1	212.3	232.7	181.8	51.5	73.4	169.3
Return on sales (in %)	4.9	2.6	4.1	4.1	7.7	9.2	7.7	3.1	3.9	7.7
Return on equity (in %)	8.9	3.2	8.6	9.6	17.3	21.3	20.9	6.3	9.5	23.2
Foreign sales (in %)	79.1	78.6	77.2	77.2	78.1	77.3	73.5	73.1	75.2	77.6
Cash flow/investments/amortization, depreciation, impairment										
Cash flows from operating activities	345.0	246.0	156.5	50.4	247.6	115.1	244.5	300.5	-140.6	334.6
Free cash flow	209.6	118.5	38.8	-136.9	82.1	-84.2	156.5	215.8	-264.8	217.5
Capital expenditure ²	130.7	122.2	128.3	173.2	172.4	163.1	93.7	87.2	125.2	115.1
Depreciation/amortization/impairment ³	116.2	102.8	111.3	133.3	83.3	78.4	85.1	84.2	83.1	85.1
Asset/capital structure										
Non-current assets	995.6	1,002.0	993.0	942.5	820.4	707.3	586.4	561.6	579.1	522.8
thereof: development costs recognized as an asset	183.2	174.9	160.9	141.8	116.1	96.9	89.7	92.3	95.5	99.8
thereof: property, plant and equipment	476.2	480.5	480.7	486.2	460.0	404.3	337.6	330.5	322.4	281.0
Current assets	2,237.1	2,135.2	2,350.2	2,170.6	2,105.5	1,913.1	1,803.4	1,716.8	1,627.6	1,501.1
thereof: inventories	683.9	733.0	873.1	934.9	729.7	682.1	559.6	418.1	519.3	394.6
thereof: liquid assets	937.6	842.4	851.3	699.2	863.7	767.2	818.8	907.7	677.2	716.2
Equity	1,293.8	1,160.7	1,231.0	1,183.2	1,226.7	1,094.8	870.1	814.2	775.5	731.0
Equity-to-assets ratio (in %)	40.0	37.0	36.8	38.0	41.9	41.8	36.4	35.7	35.1	36.1
Non-current liabilities	938.8	1,060.2	981.1	656.1	700.0	593.5	497.3	720.6	766.2	503.8
Current liabilities	1,000.2	916.3	1,131.1	1,273.8	999.2	932.1	1,022.4	743.6	665.0	789.1
Total assets	3,232.8	3,137.2	3,343.2	3,113.1	2,925.9	2,620.4	2,389.8	2,278.4	2,206.7	2,023.9
Net liquidity	320.3	124.0	46.7	82.7	387.4	333.6	442.9	395.2	166.2	450.6
Working capital	839.5	892.3	1,007.2	998.1	843.6	822.7	650.9	512.6	692.8	474.8
Equity and non-current liabilities to non-current assets (in %)	224.2	221.6	222.8	195.2	234.9	238.7	233.2	273.3	266.2	236.2
Employees										
Number of employees as of the balance sheet date ⁴	10,961	11,300	11,535	11,407	9,697	9,077	9,060	8,968	9,467	9,100
Personnel expenses	673.5	653.3	650.6	627.0	594.0	548.1	540.4	489.0	522.8	514.9

¹ Before capitalized and amortized development costs.

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

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

⁴ Including apprentices.

⁵ Adjusted prior-year figures.

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CLAAS KGaA mbH
Mühlenwinkel 1
33428 Harsewinkel
Germany
www.claas.com

We would be happy to send you additional copies of this report and further material about CLAAS free of charge upon request.

Corporate Communications

Phone: +49 5247 12-1743
Telefax: +49 5247 12-1751
Email: corporate.communications@claas.com

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Products and Services



1 // Combines

LEXION 780 - 740

LEXION 670 - 620

TUCANO 570 - 320

AVERO 240 / 160

DOMINATOR 130

CROP TIGER 40/30

Attachments



2 // Forage harvesters

JAGUAR 980 - 930

JAGUAR 880 - 830

Attachments



3 // Tractors

XERION 5000 - 4000

AXION 960 - 920

AXION 870 - 800

ARION 660 - 610

ARION 550 - 510

ARION 460 - 410

ATOS 350 - 220

ELIOS 240 - 210

NEXOS 250 - 210

TALOS 240 - 120

Front loaders



7 // Forage harvesting machinery

DISCO Disc mowers

CORTO Drum mowers

VOLTO Tedders

LINER Swathers

CARGOS 9600 - 9400

CARGOS 8500 - 8300

CARGOS 760 - 740



8 // Electronics expertise

Driver assistance systems

Farm and data management

Precision Farming



9 // CLAAS Service and Parts

Products for CLAAS Machines

Spare parts

Accessories

Supplies

Agricultural technology equipment

Service products



4 // Balers

QUADRANT 5300

QUADRANT 5200

QUADRANT 4200

QUADRANT 2100

QUADRANT 4000

VARIANT 485-465

VARIANT 480-460

VARIANT 470/450

ROLLANT 455/454

ROLLANT 455/454 UNIWRAP

ROLLANT 375/374

ROLLANT 375/374 UNIWRAP

ROLLANT 350/340

ROLLANT 620



5 // Telehandlers

SCORPION 1033-635



6 // Wheel loaders

TORION 1914-1812

TORION 1511-1177

TORION 639/535

2018 Calendar – Important trade fair dates

January

International Green Week/Berlin/Germany

February

FIMA/Zaragoza/Spain

World Ag Expo/Tulare/USA

Ag Connect/USA

March

AGROTECH/Kielce/Poland

April

AGRISHOW/Ribeirão Preto/Brazil

SIAM/Meknès/Morocco

TECHAGRO/Brno/Czech Republic

May

NAMPO Show/Bothaville/South Africa

GRASSLAND UK/Shepton Mallet/United Kingdom

June

CEREALS/Boothby Graffoe/United Kingdom

NZ National Fielddays/New Zealand

August

FARM PROGRESS SHOW/Bonne County/USA

AGRITECHNICA ASIA/Bangkok/Thailand

September

AGRO SHOW/Bednary/Poland

Innov-Agri/Outarville/France

October

AGROSALON/Moscow/Russia

CIAME/Beijing/China

InterAGRO/Kiev/Ukraine

November

YUGAGRO/Krasnodar/Russia

EIMA International/Bologna/Italy

EuroTier/Hanover/Germany

AGRAMA/Bern/Switzerland

AGRARIA/Wels/Austria

AUSTRO AGRAR/Tulln/Austria