

CLAAS



ANNUAL REPORT 2007

CLAAS GROUP OVERVIEW

FINANCIAL INDICATORS (IFRS)

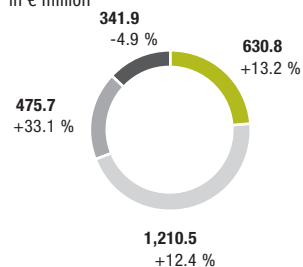
€ million

FINANCIAL PERFORMANCE	2007	2006	Change in %
Sales	2,658.9	2,350.9	13.1
EBIT	209.9	162.8	28.9
EBITDA	312.0	246.4	26.6
Net income	114.8	80.9	41.9
Income before taxes	175.8	130.7	34.5
Cash flow	236.3	171.4	37.9
R&D expenses*	109.6	100.3	9.3
FINANCIAL POSITION			
Equity	604.4	502.5	20.3
Capital expenditure	101.4	84.3	20.3
Total assets	1,776.0	1,611.4	10.2
EMPLOYEES			
Employees as at the balance sheet date	8,425	8,191	2.9
Personnel expenses	472.8	455.7	3.8

* Before capitalized and amortized development costs.

SALES BY REGION

in € million



- Germany
- Rest of Western Europe
- Central and Eastern Europe
- Other countries

SALES

in € million

03*	69.2	30.8	1,496
04	76.8	23.2	1,928
05	75.1	24.9	2,175
06	76.3	23.7	2,351
07	76.3	23.7	2,659

- German sales in %
- Foreign sales in %

* Figures based on U.S. GAAP

SEED GREEN IS MORE THAN A COLOR.

Agriculture formed the basis of all advanced civilizations in human history, and a functioning food chain has always been the prerequisite for satisfying sophisticated intellectual and material needs. This ancient tradition is just as relevant today as it has been for centuries and even millennia.

But the methodologies and technologies of agriculture have undergone revolutionary changes and are still changing at a rapid pace. It is the task of fewer and fewer people in agriculture to feed a constantly growing populace. This can only be accomplished with powerful agricultural machinery and intelligent systems.

CLAAS supplies international agriculture with harvest machinery, tractors, and services that set cutting edge standards in quality and performance. Our seed green machines cultivate fields around the world.

But the CLAAS brand is a lot more than the combination of technology and agricultural expertise. We draw on our passion for the farming business and the close relations we cultivate with our customers and partners in our efforts to share in the responsibility to feed humanity.

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Cathrina and Helmut Claas

LADIES AND GENTLEMEN,

The Supervisory Board of CLAAS KGaA mbH monitored and analyzed the Group's business situation and risk position at its regular meetings during fiscal 2007. The Supervisory Board's assessments were based on reports by the Executive Board on the Group's strategic orientation, the asset, financial, and income positions, deviations from the plans made throughout the course of business, and operating decisions. The reports were received in two sessions and used as a basis for the decisions made by the Supervisory Board.

The Supervisory Board's deliberations focused on the sales and earnings outlook, the development of business in comparison to budgets, the acceptance of auditors' reports, the auditing of the annual financial statements of CLAAS KGaA mbH and the CLAAS Group, and plans for the year 2008, including:

- Medium-term plans 2008–2012
- Product innovations
- Biomass
- Launch of AXION tractors

The following changes from the prior year took place on the Supervisory Board, which had been elected for another term on a rotational basis at the Annual General Meeting in January 2005: Mr. Uwe Bolweg replaced Mr. Konrad Siegers on the Supervisory Board.

The financial statements of CLAAS KGaA mbH and the consolidated financial statements of the CLAAS Group as of September 30, 2007 as well as the management reports for CLAAS KGaA mbH and the CLAAS Group were audited by Deloitte & Touche GmbH, Düsseldorf, the auditors elected at the annual general meeting on January 18, 2007 and appointed by the Supervisory Board. The statements and reports received an unqualified audit opinion on November 21, 2007.

The financial statements of CLAAS KGaA, the consolidated financial statements, and management

reports as well as the proposal for the appropriation of profit were presented to the Supervisory Board upon completion. These documents as well as the auditors' reports were available to the members of the Supervisory Board and were discussed in detail at the Supervisory Board meeting on December 10, 2007 in the presence of the auditor.

The Supervisory Board then passed the following resolution:

Having examined the financial statements of CLAAS KGaA, the consolidated financial statements, and 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 2007 be adopted and agrees with the proposal for appropriation of profits made by the management board of the personally liable partner.

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

Our task for the new fiscal year is to take full advantage of the favorable economic situation in our industry. We will pay special attention to the continued optimization of processes and the control of manufacturing costs and fixed costs in a global procurement environment.

Harsewinkel, December 10, 2007

The Supervisory Board



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

LADIES AND GENTLEMEN, DEAR PARTNERS,

CLAAS is active in a dynamic market of the future that poses tremendous challenges year after year. Since our founding, we have been responding to these challenges by developing an expanding range of new and innovative products that create added value for our customers when combined with existing systems. CLAAS harvest machinery and tractors help farmers along the entire process chain. Our systems can be used universally and are therefore an indispensable element in worldwide agricultural engineering.

We work in a favorable economic environment. The agricultural engineering sector is profiting from several global trends. For one thing, the world's population is steadily growing, and this means the demand for food

corn crop is already being used for the production of ethanol. In the EU, the proportion of bioethanol in fuel consumption is expected to rise to 5.75 percent by 2010. In Germany, there is a strong trend towards the use of biogas. Agricultural machinery and tractors are needed to harvest and transport the crops that yield biofuel.

CLAAS participated in the worldwide growth in proportion to its leading market positions and was able to further strengthen its performance in fiscal 2007. As a company that predominantly produces in the European market, we have managed to effectively resolve all of the related currency problems. Our sales and earnings have risen significantly and we have reinforced and expanded our positions in nearly all product areas.

“As a harvest specialist, CLAAS is a first mover.”

is escalating as well. As eating habits change, meat consumption is increasing, above all in Asia, and this is creating an upsurge in required feed volumes. In 2007, more people lived in cities than in rural areas for the first time in human history. This means that fewer and fewer people have to produce more and more food. These factors are accelerating the demand for modern and powerful harvesting technology. As the prices for agricultural products rise while income expectations remain stable, farmers and subcontractors are increasingly willing to invest in state-of-the-art and cost-effective technology. We are currently experiencing an especially advantageous situation for agricultural engineering. The markets are stable on all continents and in all agricultural engineering sectors. Individual markets are even seeing strong growth phases.

Another factor is that the constant rise in energy prices is driving up demand for biomass for the production of renewable energies. In the USA, 20 percent of the

We owe the sustainability of our success to our focus on research and product development, accompanied by a selective geographic expansion. CLAAS is responding to global challenges and helping to secure the world's food supply. Our harvesting technology is making it possible to take advantage of resources in agriculture with more efficient systems.

As a harvest specialist, CLAAS is a first mover. We were the first to implement a number of important innovations. Our roots are in harvesting technology, and we will remain a harvest specialist. This profound knowledge of harvesting processes deepens our understanding of our customers' needs. It is precisely this strong customer orientation which has made us what we are today. Tractors cannot perform farm and field work on their own, but always require additional equipment or machinery. We refer to these combinations as systems and for the past four years have been concentrating on improving them. Harvest machinery, tractors, balers, and self-propelled equipment supply all the elements we need for optimum



“Strong brands are like beacons in a highly differentiated product world.”

Dr. Theo Freye,
Executive Board Spokesman of KGaA

solutions involving complete systems, and we take full advantage of the opportunities that arise in this context. We entered the tractor market because we want to improve the technologies and processes along the entire harvest process chain. With our innovative strength, we are setting technological standards for our customers that go beyond quality products.

“Healthy risk assessment has always been a central element of our strategy.”

The year 2007 was dedicated to a comprehensive product campaign. In the past few years we have systematically worked on new technological solutions and continuously invested in research and development. The results of our efforts range from significant advancements to entirely new product lines. The emphasis in the past fiscal year was on new upper mid-size combine harvesters, a new self-propelled forage harvester line, and an expansion of our forage harvesting machinery and baler range. At the end of 2006, we launched the AXION tractor series. CLAAS tractors are now also available with continuously variable transmissions. At the end of the fiscal year, we were able to introduce yet another new tractor family, the ARION. The long-term product development policy of our tractor plant in France is paying off.

CLAAS has been active in the biomass harvest sector for more than 15 years. Today, renewable resources for energy production have become a high priority issue. This is why we are able to make an important contribution to the use of bioenergy in connection with industrial processes and share our extensive

experience in this field. Our CLAAS Biomass Technology system solutions respond to farmers' needs with high-performance products.

Our strategy is to expand our strong positions in Western and Central Europe and develop new market regions. We are taking a cautious approach in the process. Healthy risk assessment has always been a central element of our strategy. Over the long term it helps us better cushion cyclical fluctuations.

The focus of our growth strategy in Eastern Europe is Russia, where there is a strong propensity to invest in the agriculture sector. Our combine harvester plant in Krasnodar is increasingly covering the backlog need for powerful machinery, reliability, and service. The expansion of our 2007 activities in the Russian market concluded with the startup of a full-scale sales organization capable of serving the Russian market while relying on dealers who have already been selling CLAAS machinery for years. Our local presence and the added value we are creating demonstrate the sustainability of our engagement in Eastern Europe.

In Asia, we are stepping up our expansion through our operations in India. The existing plant in Faridabad that produces the popular CROP TIGER 30 combine harvester will be joined by a second factory in Chandigarh. The production of a new combine harvester model will be launched in 2008.

North America is a core market. The growth in this region is supported by the strong demand for corn for the production of ethanol. We have expanded our position and established a leading role in the forage harvester sector. We are continuously strengthen-

ing our presence in the high-performance combine harvesters segment and see additional potentials for expansion here. In South America we are represented by our distribution company in Argentina, which is steadily reinforcing its position in both the combine harvester and forage harvester sectors.

We expect the dynamic trend at CLAAS to continue. The CLAAS brand represents an important element of this process. Rather than emphasizing the importance of individual persons, it reflects the power of the Company as a whole. The CLAAS brand sets us apart from our competitors because instead of primarily communicating what we do, it above all expresses something about the way we do what we do and how the public perceives us. The brand's most important values are personality and what we call "progressive spirit." These values lend it an unmistakable identity that our customers associate with quality consciousness, reliability, and enthusiasm. Our Company thrives on our commitment to doing it better. Strong brands are like beacons in a highly differentiated product world.

Our goals are clearly defined: We want to establish strong positions in all of the dynamic regions and achieve profitable growth. We will take advantage of all the opportunities the market has to offer. We feature innovative strength and a broad range of high-quality products which meet our customers' highest expectations. We have established a production network that allows for flexible production, while integrating local added value. Our sales force is effective and our relations with business partners are characterized by a spirit of mutual trust. Our corporate financing is innovative and we have a comfortable equity base.

Finally, we profit from the advantages of a being a family-owned company, which include the ability to make rapid decisions and implement them quickly. Our partners have a passion for agriculture that dates back to the Company's founding, and they share this sentiment with our employees and customers. Their passion and dedication ensure the Company's independence. We want to remain a strong and auto-

“We want to remain a strong and autonomous company that plays a role in shaping the future.”

nomous company that plays a role in shaping the future. We would like to thank our customers, sales partners, suppliers, and investors for their confidence in us. We will do everything in our power to ensure that we continue to deserve this trust. We owe thanks to all of the CLAAS employees because they give the Company a face around the world. Their competence, enthusiasm, and loyalty are more than worthy of recognition. We would also like to thank our partners and the Supervisory Board committees who provided their constructive support in all important decisions.

Best regards,



Dr. Theo Freye
Executive Board Spokesman of KGaA CLAAS mbH



OUR MANAGEMENT

JAN-HENDRIK MOHR
Grain Harvest

DR. HERMANN GARBERS
Technology and Quality

THOMAS KLATT
Controlling



DR. THEO FREYE
Marketing and Strategy
Speaker of the Executive Board

LOTHAR KRISZUN
Sales

ULRICH JOCHEM
Tractors

DR. ROLF MEUTHER
Forage Harvest



What grows from corn?





Nowadays, corn is not only grown for food or as silo corn, but is also an energy crop. The goal is to achieve the highest possible methane yield from the available biomass. Whole plant silage is the most efficient process.

Biogas facilities supply power. In the production of biogas, biomass goes through several production steps. Its individual organic components are broken down through hydrolysis. This leads to the formation of acid. The final product is a gas mixture consisting of methane and acetic acid. The biogas generated in the process can then be used to produce power or heat or be employed as a fuel.



The most important ingredient in cornflakes is corn. In the traditional production process, the corn is ground to a coarse meal. The cornmeal is cooked and the resulting mush is rolled, roasted, cooled, and bagged.





A corn picker is attached to the front of the combine harvester to harvest the corn. The LEXION harvester is a machine that can process all types of grain through the use of various attachments and adjustments.



AT HOME ON FIELDS AROUND THE WORLD

- **AGRICULTURE IS FLOURISHING**
- **AGRICULTURAL ENGINEERING DETERMINES THE YIELD POTENTIAL**
- **AGRICULTURE HAS A FUTURE**
- **FIELDS OF GROWTH: NORTH AMERICA, EASTERN EUROPE, AND INDIA**
- **BIOENERGY WITH SEED GREEN SUPPORT**

AGRICULTURE IS FLOURISHING

Agriculture is doing well. What is unusual about the situation is that there are hardly any geographic differences. Business is booming on all continents and in all markets. Only Australia was affected by a drought in the reporting year. In the European Union, farmers are faced with an unprecedented situation. As recent as a year and a half ago, they received set-aside premiums for taking land out of production, but today they are producers of increasingly scarce food and biomass for energy. By mid-2007, more than 80 percent of the oilseed-rape crop was already sold, and sales of all other crops were higher than average as well. Shortly after the harvest, producers' silos were already nearly empty. At the same time, inventories are shrinking. For the past ten years, the world's grain inventories have been decreasing by an average of a ton a second. Accordingly, prices are rising for meat, milk, and above all grain. A short year ago, European farmers received €150 per ton of wheat, and by September 2007 the price had shot up to €240 per ton.

There are good reasons for the spirit of optimism in the farming business. For one thing, the population is growing at a rapid pace. Soon there will be eight billion people to feed on this planet. In addition, dietary habits are changing as prosperity increases.

The trend, especially in Asia, is going away from vegetarianism to a meat-centered diet. The growing demand for food comes primarily from the so-called BRIC countries: Brazil, Russia, India, and China. According to recent statistics, in 2007 alone about a billion people will be crossing over the poverty line in these countries, creating additional buying power of nearly a billion dollars.

The explosion in demand for food corresponds with the limited availability of farmland. The Earth consists of a lot of water and not much land. Less than a third of the Earth rises out of the oceans as dry land. Of this amount, only 3 percent, or 1.5 billion hectares, are arable. The majority of the Earth's surface is impassible, too cold or too hot, too wet or too dry, to be cultivated as farmland. In addition, year after year, millions of hectares of fertile soil are lost. The biggest enemies are wind, water, and urbanization. As the most important production factor in agriculture, land is a scarce, non-renewable resource.

Despite the shortage, new opportunities are now opening up for agriculture in connection with bioenergy. High costs, uncertain supplies, and the decreasing availability of fossil primary energy sources like coal, gas, and oil are forcing us to look at alternative sources of energy. Wind and solar energy, geothermy, and hydropower can supplement the energy supply. There is additional potential in the utilization of biomass. Biomass refers to all types of organic matter. The biochemical basis for all biomass is carbon. All biomass is created by the solar energy stored by green plants. Worldwide, some 80 billion tons of new biomass grow each year, about half in the form of wood. Biomass can be made from nearly all agricultural plants, from manure and liquid waste, as well as from waste from landscaping and municipal applications.

NEW UPPER MID-SIZE

The TUCANO is a new upper mid-size CLAAS combine harvester. Its modern design is characterized by graceful styling and large, freeform surfaces. The new cab enhances its distinctive look.



The USA increased its bioethanol production by 60 percent this year and used 86 million tons of corn in the process. This corresponds to approximately twice the total crop volume in the EU.

AGRICULTURAL ENGINEERING DETERMINES THE YIELD POTENTIAL

The diametric opposition between population growth and the availability of land has become a race between the stork and the plow for the United Nations Food and Agriculture Organization (FAO). High-performance, responsible agricultural technology plays an integral role in this process. Without it, farmland would have to be more than doubled by 2050 in order to boost harvest yields. Agricultural engineering is a central link in the food chain. It makes it possible to increase yields. We need state-of-the-art tractors and innovative harvest machinery such as combine harvesters and forage harvesters to satisfy the steadily rising demand for food.

Agricultural engineering is global. Strategically, it requires the development, production, and service of machinery that is capable of rationally and efficiently harvesting and transporting a wide variety of agricultural products in different climate and soil conditions.

Thanks to the favorable environment in general, globally active agricultural technology is in a stable condition. The markets in Western and Southern Europe are strong, and those in Central and Eastern Europe are generating high growth rates. The North American market – the largest and most important market in agricultural engineering – has stabilized, and the South American markets are noticeably recovering from the severe setbacks experienced in recent years. The agricultural engineering market in India is profiting from a good monsoon and the persistent trend towards higher mechanization.

CLAAS is one of the largest providers of agricultural machinery in India. As an innovative company, it has repeatedly contributed to advancements in agricultural engineering.

We pursue a clearly defined strategy and have firm goals. We want to secure profitable growth as well as innovation and technology leadership both in harvesting technology and the tractor sector. Wherever they see our name, our partners have high expectations of innovative products, performance, quality, and service. CLAAS provides this security.

Our customers are at home on fields all over the world. They have operations of various sizes, work under different weather conditions, and plant and harvest different agricultural products. Our technology is meant to help them effectively carry out their work. The product strategy is derived from a holistic view of the agriculture business. Our agricultural machines are compatible and serve as building blocks in an environmentally and economically coordinated production system. The mastery of the entire harvest process chain makes it possible to unite customer wishes with technical feasibility.

Our product portfolio is broad and corresponds to farmers' specific requirements and needs. CLAAS has been known for decades for its self-propelled combine harvesters and forage harvesters. Around the world, more than every fifth farmer chooses a CLAAS combine harvester, and every second one purchases a CLAAS forage harvester. Among combine harvester models, the LEXION is considered the most powerful in the world. A broad selection of headers and other accessories are available for a variety of applications.

The forage harvesters chop green fodder and corn and make an important contribution to cattle farming and milk production as well as to the issue of biomass energy. Our range of balers includes square balers and round balers. The self-propelled COUGAR mower boasts a maximum working span of 14 meters and responds to the trend towards highly efficient large-scale applications in animal husbandry and milk production. Our line of forage harvesting machinery ranges from large machines for large-scale professional operations to equipment for traditional farms. We offer a broad production program encompassing mowers, tedders, rakes, carriers, components, and attachments for forage harvesters and corn pickers.



“CLAAS products are good value in the original sense. Our customers know that CLAAS gives them agricultural machinery for their money that can stand up to any comparison and in many areas sets standards that others strive to achieve.”

Lothar Kriszun

CLAAS tractors have been conquering the markets for four years now. The XERION rounds out the tractor program. Our flagship product is designed as a system vehicle that can satisfy various applications.

AGRICULTURE HAS A FUTURE

Agriculture is an industry with a future. We will actively participate in shaping this future. In the coming years, CLAAS will above all concentrate on expanding its positions in Eastern Europe, the Americas, and Asia. In addition, we will assert and strengthen our leading position in the Western and Central European core markets. We have the right products and the right production structure to play an important role in our markets.

CLAAS produces at 14 locations around the world. On three newly installed production lines at our home plant in Harsewinkel, we produce combine harvesters and forage harvesters as well as components and assemblies that we supply to our production facilities in the USA, India, Hungary, and Russia. We produce the XERION and the COUGAR forage harvesting machine on another line that was installed in 2006. Mixed assembly makes the plant highly flexible. All tooling and storage systems on the production floor are on wheels and can be exchanged to suit the machines being built.

The new inbound logistics center at the CLAAS plant in Harsewinkel was officially opened in April 2007. The entire goods receipt process is significantly faster and more efficient today than it was in the past. Several trucks can now be unloaded at the same time, and the entire intake area has been expanded considerably.

We were able to draw on our experiences from the introduction of the mixed assembly process in Harsewinkel and apply them to the system in place in Bad Saulgau. The new plant structure responds to the need to supply various segments with different products. In Saulgau, we produce more than 130 different types of machines and equipment. Flexible production makes it possible to produce forage

harvesting machinery that is more individual and customer-specific.

The largest European production facility for agricultural balers is in Metz, France. We make tractors in Le Mans, also in France. Our Hungarian operation in Törökszentmiklos produces various components for agricultural machines. All headers for combine harvesters are manufactured here. The plant in the Southern Russian town of Krasnodar started operation in May 2005 for the production of the MEGA combine harvester series. The plant in Russia is an important part of the international production network and supplies the entire Russian Federation with CLAAS combine harvesters. In the USA we have a production facility for LEXION combine harvesters in Omaha, Nebraska. A specialized development team ensures that the machines are designed for the professional cultivation of large areas. In India, the existing plant in Faridabad will be joined by a second combine harvester factory in Chandigarh. Our investment in this plant is well in the double-digit million euros range. Production will start in mid-2008.

FIELDS OF GROWTH: NORTH AMERICA, EASTERN EUROPE, AND INDIA

North America is the largest agricultural engineering market in the world. It represents about 30 percent of worldwide agricultural engineering sales. The market is stable to slightly growing and is currently characterized by strong demand for corn for the production of ethanol. CLAAS has been present in the USA for many years and enjoys a good reputation with American farmers. In the self-propelled forage harvester sector we have a strong position analogous to our global market share, especially among large-scale professional operations. Our powerful LEXION combine harvesters feature significantly larger headers than in Western Europe to suit the needs of the market. We are steadily increasing our presence in the U.S. combine harvester market. The combine harvesters assembled in Omaha are sold throughout North America. Our sales subsidiary CLAAS of America, which is also headquartered in Omaha, serves the market for forage harvesters, balers, and forage harvesting machines.



“The reliability of being a family-owned company combined with our unique approach to corporate financing creates an environment that fosters value-oriented management.”

Thomas Klatt

In South America, we are represented with a sales company in Argentina that is rapidly expanding its position. This applies both to the LEXION and our forage harvesters. In the reporting year we expanded our product range and among other things introduced the XERION to this market for the first time.

Our activities in Russia are of far-reaching strategic significance. Russian agriculture is growing at a rapid pace and is more professional than is generally assumed. There are a total of 85 million hectares of farmland in this region – more than in the entire European Union.

CLAAS has been present in the markets of the Russian Federation since 1992. A fairly well-developed service and sales network is already in place, backed by the central parts warehouse CLAAS Vostok. The newly built production facility in Krasnodar is opening up opportunities for more extensive market penetration. While CLAAS combine harvesters are priced higher than comparable products on the local markets, in terms of criteria like performance, reliability, design, replacement parts service, customer service, and the resale value of used machines they are more advantageous for customers. In professional calculations, costs are taken into consideration for the entire life cycle of these machines, expressed in costs per ton of harvested grain.

In the Asian region, our attention is chiefly focused on India. With a share representing a fifth of the gross domestic product, agriculture is one of the most important business sectors on the subcontinent. Some 60 percent of the workforce is engaged in agriculture.

As in Russia, CLAAS is the first Western manufacturer to be present with a plant for combine harvesters in India. The machines produced here are specifically tailored to local harvest conditions. At our combine harvester plant in Faridabad near the capital city of New Delhi, we have been producing the compact combine harvester CROP TIGER for the entire Asian region since 2002. Its track system, its technical ability to harvest various types of crops, and its long service life respond to conditions in extremely difficult agricultural regions. In the second plant we are currently

building in the North Indian town of Chandigarh, we will be producing the CROP TIGER 60. This machine was developed at the CLAAS plant in Faridabad and was subjected to field tests during recent harvest seasons. The CROP TIGER 60 is defining a new performance class in India and will tap additional market potential. The new plant is in the region of Punjab and Haryana, India's corn belt. The largest closed irrigation system in the world is located here. Covering a surface area of 102,000 square kilometers, it is nearly four times larger than the irrigation area of the Nile. Year-round irrigation makes several harvests a year possible.

BIOENERGY WITH SEED GREEN SUPPORT

The increased use of renewable resources and the energy generated with them is expanding the horizons of agricultural engineering with new products, new services, new processes, new logistics systems, new customers, and new growth. Huge quantities of biomass are required for the generation of bioenergy, and it all has to be harvested and transported. We have been active in the renewable resources sector for more than 15 years and today are in a position to offer a broad range of practical solutions.

CLAAS developed special attachments for the JAGUAR forage harvester for wood harvesting in short-rotation plantations. This makes it possible to harvest willow in a process that is similar to harvesting thick stemmed plants like silo corn.

The use of biomass for energy production only makes sense if the energy generated is significantly higher than the energy employed to generate it. But CLAAS developers are working on these systems as well. Our subsidiary AGROCOM offers energy producers powerful management technology for their biogas facilities. The software ensures that biological processes are designed for the highest possible performance down to the last watt and the last kilojoule.

TRACTORS FROM LE MANS

CLAAS tractors are produced in Le Mans, France. They have been conquering the markets for four years now.



Where does
performance count?





V900
Auto-Contour



COMMITTED TO PROGRESS

- **CLAAS – A FIRST MOVER IN THE MARKET**
- **A NEW PRODUCT CAMPAIGN**
- **ELECTRONICS AS A GROWTH DRIVER**
- **TECHNOLOGY FOR CARS, AIRCRAFT, AND POWER ENGINEERING**

CLAAS – A FIRST MOVER IN THE MARKET

CLAAS has a tradition for innovation. We are continuously expanding our product range with machines that suit our customers' needs, establish connections with other products, and complement our customers' existing system solutions. Our strengths are both in the field and on the drawing board. We don't just build machines; we know how to drive them, too.

The progressive spirit at CLAAS is marked by technology leadership and innovation. Ever since the Company's founding, we have wanted to do it better. Our success is founded on agricultural expertise, inventiveness, progress, and the courage to make mistakes and question established principles. Since we have always done things differently, we are able to look back on nearly one hundred years of success. Our approach to innovation has made us a technology leader. Innovation is not an end in itself at CLAAS, but a value driver. There is no such thing as standstill at CLAAS because a pioneering spirit and the ability to change are characteristics of a top-down mentality. Again and again, we make an effort to identify new trends early on and make good things even better. We see no contradiction in redefining rules and breaking them again when we come up with better, unexpected solutions. We invest a lot in research and development in order to ensure that CLAAS, as a premium brand, is always ahead of the competition. In the reporting year, we allocated approximately 4 percent of our sales, or more than €100 million, to research and development.

The CLAAS Group passed many milestones on the road to its leading position in agricultural engineering. These milestones establish unique selling points in the market and set us apart from the competition as a first mover. When it comes to innovation and performance, CLAAS is an industry leader. CLAAS

manufactured the first European pickup baler and introduced the first self-propelled forage harvester. Our inventions range from 3D cleaning for combine harvesters to optical systems and the development of automatic guidance systems for mechanical and laser-supported applications using GPS-based solutions. Highlights of our product range include the LEXION, a high-performance machine with a hybrid threshing system, and the XERION system tractor. We have secured our technology leadership with more than 4,600 patents. From a statistical perspective CLAAS has registered a patent per week since its founding.

The prizes and awards our products and systems earn demonstrate that the spirit of innovation comes naturally to CLAAS. Medals from the German Agricultural Society (DLG) for the new JAGUAR forage harvester and the intelligent drive concept for combine harvesters are just as visible expressions of our innovation leadership as the gold medal we earned at the SIMA agricultural engineering expo in Paris for the state-of-the-art knotting system in the CLAAS baler.

The German industry not only recognized CLAAS products, but our processes as well. As the first company in history, CLAAS succeeded in winning two coveted prizes in a single year: the German Logistics Prize awarded by the German Logistics Association (BVL) and the BMW Innovation Prize of the German Association of Materials Management, Purchasing, and Logistics (BME).

A NEW PRODUCT CAMPAIGN ...

Agricultural machines are fascinating products. Their electronic features are as sophisticated as in the latest cars. Modern, environmentally sound agriculture is



“Fifty-five CLAAS innovations in a single year is an impressive achievement. What is even more important is the fact that each individual innovation offers our customers true added value. The joy in new technology is always the greatest when it helps us overcome existing performance limitations while generating economic success.”

Dr. Hermann Garbers

characterized by electronic systems and precision farming. In the past few years we have made intense efforts to broaden and improve our fleet of high-performance machines. The years 2007 and 2008 are dedicated to a comprehensive product campaign encompassing more than 50 new products and confirming our innovative strength. Our engineers have been hard at work. Highlights include a new combine harvester series, a new forage harvester, new balers, and another new tractor series.

... COMBINE HARVESTERS

Combine harvesters are factories on wheels. The upper mid-size TUCANO is the latest CLAAS combine harvester. In terms of design, operation, and technical specifications, the TUCANO is close to the LEXION. It was developed for the world market and can either be sold as a basic machine or equipped as a high-end model.

The TUCANO incorporates a number of innovations. As with the LEXION, we have swapped the position of the grain tank and the engine in this performance class. The grain tank is positioned immediately behind the cab. This gives operators better visibility of the crop, a bigger grain tank, and service access via large tilting side panels. These large molded parts not only give the TUCANO a modern look, but also improve access for maintenance and service.

All of the standard LEXION headers can be used with the TUCANO series. Unlike the predecessor models, the TUCANO now accepts the 8-row CORNSPEED corn picker attachment.

The newly developed cab sets standards in the upper mid-size segment. Automatic climate control, a large sun visor, electrically adjustable outside mirrors, a fully functional passenger seat, practical storage compartments, and a cooler in the cab ceiling provide high comfort in the cab. The color CEBIS monitor facilitates machine handling for the driver.

... SELF-PROPELLED FORAGE HARVESTERS

The most important innovation introduced in 2007 is a new generation of self-propelled forage harvesters. The JAGUAR 900 series not only has a new look. The machines have been completely redesigned and now feature an exceptionally comfortable cab. The technical innovations integrated in the new JAGUAR include the newly developed V-MAX cutting cylinders in an open cylinder design with bowl-shaped cutters. The top models feature the double-six engine concept.

This category of machines, which the Company introduced to a broad public for the first time at the Agritechnica 2007, is offered alongside the highly successful JAGUAR 800 series. The most powerful version is capable of delivering outputs as high as 830 hp.

... BALERS

Our baler with the highest throughput, the QUADRANT 3400, was awarded a gold medal at the Sima 2007 in Paris for its new high-speed tying system. Perfect knotting has a long tradition at CLAAS. The knotting device patented in 1921 has been improved repeatedly in the past and with the QUADRANT 3400 has entered a new dimension. The new technology simplifies the tying process and yields more secure knots.

The “vertical” tying process is a technical innovation and has decisive advantages in the decompression of bales. Despite large bale dimensions of 1 meter high and 1.20 meters wide, the baler still requires only one knot per tie, and this significantly improves the baling density and throughput. With an additionally increased piston performance of 46 strokes per minute, the enhanced handling of the crop makes the entire working process more efficient.

The youngest member of the baler family, the new QUADRANT 3200, has an innovative primary baling chamber that achieves better results, especially when small windrows are harvested.



“Our new TUCANO combine harvester series is very close to the LEXION in terms of design, technology, and operation. The new JAGUAR forage harvester has two engines in the most powerful version and is in a class of its own .”
Jan-Hendrik Mohr



“Development and production go hand in hand in the assembly of our machines. We have adapted the manufacturing processes for our tractors in Le Mans to the production and optimization strategies of the automotive industry.”

Ulrich Jochem

... TRACTORS

The AXION tractor introduced in fall 2006 is not only seed green on the outside, but on the inside too. It is the first tractor developed fully by CLAAS. The AXION is offered in five different model versions ranging from 163 to 260 hp and is positioned exactly between the CLAAS ARES and the CLAAS ATLES. We totally restructured the tractor's chief components and designed it for large farms, contractors, and machinery cooperatives. Many of these operations are already working with LEXION combine harvesters and JAGUAR forage harvesters, and as a consequence are equipped with machinery that is optimally complemented by the AXION as a tractor with high quality and technology standards.

Our development and production teams worked closely with each other from the very earliest stages of the AXION's development. We adapted the production methods at the Le Mans plant to the production and optimization strategies of the automotive industry – an unprecedented approach in tractor assembly. After introducing the lean manufacturing concept, more than 30 percent more tractors can be assembled at Le Mans each day. The period from order placement to delivery is about eight weeks. Like in the automotive industry, each customer has the opportunity to specify preferences for features like the engine type, brake system, and tires.

At the Agritechnica in fall 2007, CLAAS also introduced a continuously variable transmission for the AXION.

In the cab, we are still the only manufacturer in the field to offer back-friendly four-point suspension. Thanks to the redesigned cab and the longest wheelbase in its class, the AXION offers high driving comfort on the road and in the field.

To supplement the AXION 800 series with the HEXASHIFT multi-step transmission introduced in October 2006, the 2007 Agritechnica marked the launch of three AXION models that are also available with continuously variable transmissions – the AXION CMATIC 810, 820, and 840.

At the end of the fiscal year, CLAAS introduced another new tractor series – the ARION. This mid-size tractor in the 110 to 175 hp class is above all distinguished by state-of-the-art technology combined with a comfortable cab. It offers high driving comfort on the field and road.

The overall concept of the ARION 500 and 600 series includes the known comfort features of CLAAS tractors such as a long wheelbase for secure road holding and the suspended front axle with PROACTIV single-wheel suspension. The combination of 4-point cab suspension and a pneumatic, low-frequency seat results in a high degree of driving comfort.

... FORAGE HARVESTING MACHINERY

Our forage harvesting machines from Bad Saulgau have been joined by the new LINER rake family. All of the details of this double rotary center swath rake have been redesigned.

The existing center swath rakes LINER 680/780/880 PROFIL were replaced with the launch of the new LINER 2600/2700/2800. The LINER 2900 is a professional machine with a maximum working span of 9 meters.

What sets these new rakes apart is the fact that all four models can be brought down to less than 4 meters transport height without removing the tine arms. On the LINER 2800 and 2900, the rotors are hydraulically lowered after being folded. On the road, the rake is lowered to meet the maximum height requirement of 4 meters.

ELECTRONICS AS A GROWTH DRIVER

Our subsidiary AGROCOM plays a leading role in the development of information and guidance systems for farmers and contractors. The unique CLAAS CAM PILOT guidance system with a 3D camera installed on the front end is ideal for tracking existing structures such as tramlines, ridges, rows, and swaths.

The electronic heart of a LEXION combine harvester is programmed for 28 different types of crops with the respective optimum threshing drum rotational speed, concave spacing, sieve sensitivity, and air supply. AGROCOM has entered into new territory with the integration of electronics in agricultural processes. Precision farming means that information about yields and working conditions are electronically recorded and taken into consideration in a closed circuit with computer-controlled devices for sowing, fertilizing, spraying, and harvesting.

CLAAS TELEMATICS, for instance, is a web-based tool for the analysis of combine harvester performance. The machine data are transferred to the Internet and can be retrieved by the farmer or contractor, even from abroad. For the first time, the farming operation and the dealer's service technicians can access current and historical machine data from a central server at the same time, regardless of their location. All data concerning settings and performance are recorded, and current and historic diagnosis reports are logged.

TECHNOLOGY FOR CARS, AIRCRAFT AND POWER ENGINEERING

Our subsidiary CLAAS Fertigungstechnik GmbH (CFT) has been in the portfolio since 1986. It represents a strategic growth field in which we draw on our extensive expertise in mechanical engineering and develop related business activities. CFT specializes in turnkey production facilities for the automotive industry. The company's technological and production expertise make it one of the few companies capable of efficiently processing both steel and aluminum. This puts it in a position to help shape the future of lightweight body construction for the automotive industry.

The acquisition of Brötje-Automation GmbH has significantly broadened CFT's base. Brötje-Automation manufactures assembly cells for aircraft fuselages and wing parts. It has had a subsidiary in the USA since 2006. Aircraft construction is a high-tech field.

Highest carrying capacity, absolute stability, and at the same time tremendous flexibility are required to ensure that aircraft can safely withstand shocks, turbulence, and strong air currents. Technologies from both CFT and Brötje are used for the assembly of fuselages. CFT supplies the assembly and handling technology and Brötje the joining technology. All of an aircraft's fuselage shells and the individual sections are accurately measured for positioning and then automatically joined in a high-precision process. Brötje's riveting system places thousands of rivets in the aircraft body and securely connects the parts with each other.

CFT also owns CLAAS Automation GmbH, a company that manufactures conveyor systems, loading portals, elevators, storage and transfer systems, track-bound shuttle systems, and project-specific automation systems for the automotive, automotive supplier, and machine tool industries.

CLAAS Industrietechnik GmbH (CIT) is not only a system supplier for power engineering and hydraulic systems for the CLAAS Group, but also offers its technologically advanced products to third parties.

Competence in modern power engineering above all encompasses the high-performance track systems that are increasingly used in agricultural machinery such as combine harvesters. Because combine harvesters are getting bigger and more powerful and consequently heavier, the soil under wheel-driven machines gets heavily compacted, which over the long term has a very negative effect on growing conditions. The solution is to introduce wider footprints for machinery by using track systems such as the ones offered by CLAAS Industrietechnik.

CIT technology is also found in power shift transmissions for special vehicles with high cross-country mobility, in propulsion systems for sports aircraft, in track beds for high speed trains, and in hydraulic vents for the regulation of high-power engines such as those used for offshore drilling platforms.



“Our machines offer the highest performance for professional customers. But we also pay attention to the needs of traditional farms such as those found in Southern Europe. CLAAS has products to suit these customers as well.”

Dr. Rolf Meuther

Who is Claas ?



N. Buchmann



T. Buchmann



MAIKE

WE'RE ALL CLAAS, AFTER ALL.

THERE ARE MANY FACES BEHIND CLAAS PRODUCTS AND SERVICES. CLAAS IS DEFINED BY THE MANY DIFFERENT AND UNIQUE FACES OF THE PEOPLE WHO WORK HERE. TOGETHER THEY CREATE THE COMPANY'S IDENTITY. CLAAS IS A FAMILY AND CLAAS HAS A FACE. THIS HAS BEEN DEMONSTRATED FOR GENERATIONS, AND THESE VALUES ARE WELL WORTH UPHOLDING.



NORBERT BUCHMANN
BORN IN 1948

"I first came to CLAAS as an apprentice in April 1962. After completing my apprenticeship I worked in the Machine Repair department of Plant Maintenance until 1972. From 1972 to 1974 I retrained as a mechanical engineer. Ever since then, I've been working as a design engineer for STM Drive Systems (Systems Technology Mechanics).

My responsibilities include the design of all drive systems, V-belts, V-belt pulleys, variable speed gears, ball bearings, and shafts."

MAIKE BUCHMANN
BORN IN 2003

Maike is four years old, goes to the Noah's Ark kindergarten, and only accepts toy combine harvesters and tractors when they're CLAAS seed green.

MAIKE



THOMAS BUCHMANN BORN IN 1970

"I've been working for CLAAS since August 1987, or for 20 years.

I completed a three-year apprenticeship at CLAAS as a shop mechanic and then worked in the Header Construction department for about six months. Then I shifted to Line 1 in the Cylinder Construction department for another half year or so. After that I got a position in Technical Development, where I now work for Peter Röttger in the CSE Durability Shop (PV-FEW).

We build test stands to test individual components and even entire machines in the plant and confirm their durability for grain and corn harvest.

I also work for the Equipment Standards Compliance department, where I'm responsible for internal model tests and TÜV certification. Our primary tasks are to define weights, measures, fields of view, and braking distances for new machines."



CLAAS – A PASSION FOR FARMING

- A FAMILY WITH MANY MEMBERS
- ESPRIT DE CORPS IS MORE THAN TEAMWORK
- A PARADIGM FOR EMPLOYEE TRAINING
- RESEARCH STARTS WITH CURIOSITY

A FAMILY WITH MANY MEMBERS

CLAAS is a global, family-owned company. About half of our employees work outside of Germany in many different locations around the world. Their environments are defined by distinctive cultures, languages, climates, and time zones. The mentality in places like Asia and North America is unlike that in Europe. A globally active corporation like CLAAS is engaged in a heterogeneous environment. This is why integration is one of the most important tasks of management.

The bond that unites CLAAS is a corporate culture with an unmistakable identity and firmly anchored values. It is defined by our position as a family-owned company. The emotional ties to the Company are strong. CLAASians rarely leave the Company. The attrition rate is far below the average in German industry. Our strength is built on the hard work of the Claas family as the Company's founders. With the support of loyal employees, the Company evolved from a small enterprise to an internationally leading force in

agricultural engineering. Our employees are proud of their Company, not only because of its spirit of achievement, but because the partners pay attention to their needs. All doors are open at CLAAS. Elitism has no room here.

Another factor that strengthens our corporate culture is that it is rooted in our Westphalian home base in Harsewinkel. In this part of Germany, backbone, down-to-earth attitude, and perseverance are important qualities to have. A location shapes the people who live there. Our employees not only go with the company spirit, but are independent thinkers who ask questions and uphold traditional values without rejecting progress. Our employees internalize these values around the world. Day after day they prove that a strong sense of place does not exclude internationalism and cultural diversity. The strength of our roots in Germany nourishes even the most distant branches of CLAAS as a global company.

We are committed to Germany as a production location. We do not act like an isolated organization that pursues its business in the various markets with blinders on. CLAAS is firmly integrated in society and perceives and anticipates the changes it undergoes. Everyone benefits from the fruits we harvest together on the field and in the Company: society, because we contribute to the world's food supply, governments, because we pay taxes, investors, because we are profitable, our employees, because we train them well and secure their jobs and create new ones, and finally the Company itself because we are strengthened by growth. From our roots in Harsewinkel we entered the global market and made the CLAAS brand our strongest resource. It stands for traditional values like quality, reliability, effort, and ambition as well as adaptability, flexibility, customer orientation and the willingness to respect other cultures, languages, talents, and working conditions. Globalization essentially

RELIABLE AND POWERFUL

Professional farmers need powerful technology. This is just as relevant for square balers as any other equipment. Highest baling density, perfect bale shapes, and maximum throughput have been defining characteristics of CLAAS QUADRANT balers for many years.



eliminates the dividing principle of borders. In a world without barriers, living with each other becomes more important than living next to each other, and cooperation becomes more rewarding than isolation.

ESPRIT DE CORPS IS MORE THAN TEAMWORK

We expect high performance from our employees and demand a lot of them as well. We offer commensurate compensation in return. This includes secure jobs and employee-oriented job planning. Flexible working time models in the CLAAS Group companies make it possible to find a balance between job, family, and recreation. We offer career opportunities because we respect each individual and take each individual's strengths into account. Our employees can participate in the financial success of the Company. More than 70 percent acquired shares in CLAAS Mitarbeiterbeteiligungsgesellschaft mbH (CMG) last year. A total of at least 4,600 are silent partners in CMG. The capital stock is €20.6 million and dividends in fiscal 2006 totaled €3.4 million.

Our employees dedicate a large part of their time to CLAAS. We see to it that their time is not wasted. Growing together – in both senses of the word – describes the esprit de corps in the Company, which is more than teamwork. Our commitment to the corporate community secures our success. This calls for trust and a good deal of responsibility, respect, and mutual understanding. This culture is an important success factor for CLAAS, and we are deeply interested in preserving and cultivating it.

The worldwide presence of CLAAS reflects a mobile, flexible, and dedicated workforce. Training prospective junior staff members in our international trainee program and establishing their loyalty to the Company is one of the most central elements of employee development at CLAAS. The objective is for these young people to develop an international network and gain a comprehensive overview of the CLAAS Group. It is up to the trainees to take advantage of potentials and opportunities to prove their skills in

the various areas. We cannot guarantee that they will achieve a management position, but we create the conditions to qualify them for responsible positions. They can choose to specialize in finances/controling, production/development, and marketing/sales, but are free to change their focus in the future. If they realize during the 18-month program that their strengths lie in other areas, we help them make the shift in that direction. The international character and various cultures of the participants correspond to our global alignment. Every trainee has to complete part of the program at a foreign location.

A PARADIGM FOR EMPLOYEE TRAINING

“If you want to be the leader, you have to keep running.” We apply this principle, adopted by our partner Helmut Claas, to our human resources policy as well. We hire new employees according to the same criteria that we strive to fulfill with respect to our own professional expectations. These criteria include quality, professionalism, team spirit, and the ability and confidence to make decisions. We consider vocational training to be an investment in the future. The ratio of trainees to employees is 7 percent at CLAAS, which is significantly higher than the average of 4.5 percent in Germany. The Bielefeld Chamber of Industry and Commerce has confirmed that we set standards in employee development in the region. We provide high quality training programs in Germany, France, the UK, and India for more than 20 different managerial and technical professions. Throughout the 21-month training period, we impart qualifications and skills specific to these careers through an integrated approach. It underscores the close connection between our technical training programs and the operational units in production, plant maintenance, and development.

We encourage advanced training within the Company with a comprehensive selection of seminars. These seminars include language courses, technical training courses, safety courses, IT courses, and courses on CATIA 5, Six Sigma, and CAD as well as teamwork and team management. In cooperation with

various institutions, we have now supplemented our Junior Management Program with a Senior Management Program. Intercultural seminars complete the offerings. The programs tailored to the needs and objectives that count at CLAAS direct management's attention to a future-focused strategy development and convey solid business management skills along with incentives for management to sharpen its existing profile. An important new tool in this area is the project management cycle. Its purpose is to create a Group-wide project organization system with standardized processes and a uniform project management language.

RESEARCH STARTS WITH CURIOSITY

In the past few years, CLAAS has emerged as a global force in the world of agricultural engineering. Customers and partners and representatives from the fields of politics, science, and culture meet in Harsewinkel. An important element is the CLAAS Foundation, which was founded in 1999 to promote the social acceptance and future of agriculture and agricultural engineering around the world. The Foundation supports agricultural technology projects and scientific activities such as dissertations and studies. It supports young people in their studies with annual grants. The educational partnership it entered into with the Bad Saulgau Student Research Center (SFZ)

is an example of the Foundation's work. The purpose of the partnership is to promote technical education starting as early as childhood and youth. Each year, 150 to 200 students of all age groups work in the Student Center on projects relating to physics, mathematics, IT, chemistry, biology, and robotics. This is the first project the CLAAS Foundation is engaged in that specifically supports the young generation of technology experts.

An award that the Chairman of the Partners' Committee of the CLAAS Group, Helmut Claas, received in the reporting year, clearly expresses what CLAAS is capable of. The Royal Agriculture Society of England honored Helmut Claas with the Gold Medal for Distinguished Service to Agriculture. It is the society's highest award and is reserved for personalities who have demonstrated excellence in agricultural engineering over the long term. The RASE said it selected Helmut Claas because he played an instrumental role in agriculture in the United Kingdom and around the world in the course of many years. Because more than 100 patents are registered in his name, the Society honored his inventiveness and his intuitive understanding of the most important issues in agriculture.

The award confirms precisely what we have attempted to document in this report: "Seed green is more than a color."

REDEFINE COMFORT

The AXION is a strong, efficient, and comfortable tractor. The new continuously variable transmission makes the machine as easy to drive as an automatic car. The AXION redefines comfort – above all with its unprecedented 4-point cab suspension.







1. CLAAS sales partners

Our relations with our sales partners are long standing and based on mutual trust. The knowledge and experiences generated in this context brings us to our customers as a united force.

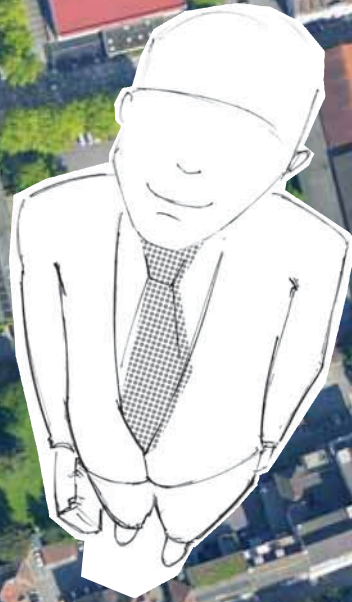
2. Training center

We train our sales partners with intensive programs designed to teach them how to handle our products. These programs give them extensive know-how and the ability to provide competent service.

3. Financial services

CLAAS Financial Services offers customized financing solutions. Our sales partners can offer our customers the options that best suit their needs.

HOW DOES CLAAS GET TO THE FIELDS?



4. Competence centers

Customer proximity is essential for the CLAAS sales organizations. Our competence centers showcase new machinery and give our customers easy access to expert advice wherever they may be located.

5. Vocational education service

Agriculture is a high-tech industry. CLAAS has played a defining role in this trend and promotes training in technical and scientific disciplines. These efforts benefit both our partners and our customers.

6. Service & parts

Quality is a lasting value. We pursue the same quality standards as with our machines by offering original CLAAS parts. Our sales partners are familiar with the use of these products and are capable of providing competent advisory services to our customers.

EXCEEDING THE EXPECTATIONS OF OUR CUSTOMERS AND PARTNERS

- SEEING WITH THE EYES OF A FARMER
- PARTNERSHIPS

AUTOMATIC GUIDANCE SYSTEMS



For both combine harvesters and tractors, precision steering and tracking are decisive for an optimum work strategy. CLAAS is ideally positioned to fulfill these criteria. The available guidance systems cover the entire range of applications for combine harvesters and tractors.

SEEING WITH THE EYES OF A FARMER

Our activities are guided by the values of the CLAAS brand. As a product brand, CLAAS stands for a full-range harvest specialist and a reliable partner in agricultural engineering. We have cultivated most of our partnerships for generations. They are founded on trust, fairness, and respect. Many of our customers are family-owned companies like us. This creates a sense of closeness and understanding and promotes uncomplicated relations marked by a spirit of cooperation. Words and handshakes count. Continuous dialog with our customers and partners and our ability to listen are strengths that have been associated with CLAAS from our very beginnings. At the World CLAAS event we organized in fall 2006, we personally welcomed and supported nearly 12,000 end customers. Our structure makes it possible to effectively meet the requirements of the agricultural business and achieve our most important goal: customer satisfaction. Relations between CLAAS and its customers and partners can best be expressed with the phrase "big enough to matter, small enough to care." CLAAS is big and has the financial strength to solve problems for customers and partners, and small and flexible enough to pay personal attention to each individual. We view this as true customer proximity.

To be successful in the business of agricultural engineering you have to see problems and decisions with the eyes of a farmer. Our customers' activities are a closed circuit of interrelated processes. Standstill in any one point has serious consequences for the process as a whole. Risks lurk around every corner. Harvesting periods are getting shorter and are dependent on sun, rain, and wind. Regardless of weather conditions, machinery has to be used and set up properly to deliver the highest possible performance

over the long term. Higher machine outputs for short harvest windows are an important factor in cost optimization. When there are interruptions in the harvest chain, customers need service and replacement parts with extremely quick turnaround. Our business model takes this into account. We take just as much care of our customers after a purchase as beforehand.

PARTNERSHIPS IN SALES

Our sales partners are an extension of our Company and convey the core values of the CLAAS brand to our customers. Our dealers are the most important link in this chain. They have tremendous responsibility that has become even more significant with the broadening of our product range. The continuous improvement of our sales network is one of our foremost priorities. It is not so much the number of sales partners that counts, but the quality and competence of the services they provide.

Our customers are professionals. They have a very specific image of CLAAS on the basis of their own experiences with our products, conversations with colleagues, trade show visits, and other information sources. Our products and services have to correspond with this image or better yet exceed their expectations.

We generate more than three quarters of our sales outside of Germany. We are active in more than 140 countries around the world. We reach our customers through two distinct channels: through our own sales organizations in Germany and in seven other countries and through independent importers who handle the distribution of CLAAS products in their

home countries. We have trusting partnerships with many of these importers that we have cultivated in the course of many years and from generation to generation. We get the younger generation actively involved with CLAAS by exchanging experiences with them, and we make young importers aware of the significance of the work they do for CLAAS. Our partnerships with importers are extremely important. They are familiar with the special conditions in their countries and the various requirements of individual regions. They maintain close contacts with the end customers on the fields. Sales are about much more than just selling machines. When interfacing with customers, the important thing is to find the right answers to their individual technical questions and to work with the customer to find the best possible system solution in our product range. Customers will only turn to a CLAAS representative for future needs if the solution offered to them is optimal for their needs.

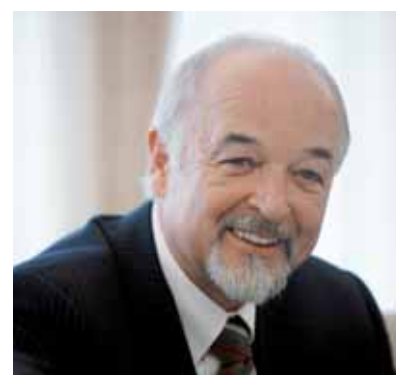
... IN SERVICE

What counts for our customers is the function of a harvest machine, the quality of work performed, and economic efficiency. But customer satisfaction requires even more. Customers also rate suppliers according to their ability to arrange for perfect service. They have two central questions: How fast will a competent specialist come on site if there is a problem and how long does it take to get a needed spare part. In markets with high machine populations, CLAAS has a dense network of service centers and replacement parts warehouses. We have consolidated customer service and replacement parts supply within a single, legally independent unit. International sales, CLAAS Parts Distribution (CPD), and customer service, formally managed by CLAAS KGaA as an operational holding company, were restructured in the year under review. The new company CLAAS Global Sales GmbH is now exclusively responsible for the past export regions while CLAAS Service and Parts GmbH (CSP) is in charge of service and parts distribution.

The expertise of our After Sales staff defines the quality of FIRST CLAAS SERVICE. Our central customer service department draws on a team of well-trained engineers and technicians who help the importers and our sales subsidiaries with the establishment of efficient customer service organizations and support our sales partners' service technicians in the field. The key to our service concept is our commitment to keeping consumables and spare parts on hand. The central CLAAS Parts Logistic Center in Hamm-Uentrop supplies our importers around the world as well as the regional warehouses and the dense network of CLAAS sales partners with spare parts. The warehouse in Hamm is reachable 52 weeks a year, 7 days a week, 24 hours a day. Somewhere in the world it's always harvest season. About 100,000 different items are kept on hand in Hamm – from the tiniest screws to heavy combine harvester transmissions. Each day, some 8,000 parts are shipped to customers around the world by road, air, or sea. State-of-the-art computer technology ensures the high availability of the warehouse. The warehouse management system encompasses intake, intermediate warehousing, prepackaging, and warehouse management. It stores order data, sorts orders according to priority, distributes them in the warehouse, determines the processing time, and triggers the picking process. Our ability to stick to delivery times almost 100 percent of the time says a lot about the quality of our parts distribution service.

... IN FINANCIAL SERVICES

For customers who work with large machine fleets, a calculable, flexible financing concept is an important criterion for the decision to buy a CLAAS product. We recognized the importance of financial services as a strategic instrument to support sales and intensify customer relations early on. In addition to classic credit financing, the options we offer to customers include solutions such as leasing and rental programs to reduce the costs of acquisition and maintenance.



“CLAAS is a truly robust family-owned company with solid growth rates. Growth means movement, and we take advantage of the momentum to get closer to our markets, our sales partners, and our customers.”

Dr. Theo Freye

EVEN MORE POWERFUL FORAGE HARVESTERS



CLAAS presented a new, even more powerful family of self-propelled forage harvesters: the 900 series. This line is offered in tandem with the highly successful JAGUAR 800 series. In the most powerful version, the new JAGUAR machines boast double-six engines and deliver outputs as high as 830 hp.

In our core markets, customer financing is an important aspect of the CLAAS brand. CLAAS Financial Services (CFS), in which we hold a 40 percent stake alongside our partner BNP Paribas Leasing Group, offers financial services under the name CFS in eleven countries. Our tractor customers have had access to CFS services since 2003.

... WITH SUPPLIERS

We consider a functioning, cooperative network of suppliers to be an important strategic tool for improving and supplementing internal resources. For the past three years, our Group-wide purchasing has been directly tied to management. In the Corporate Supply Council, developers, product managers, quality assurance specialists, and buyers discuss each individual component, every new development, and every new function. They look for system suppliers who act as cooperative partners for the development of new components. For CLAAS as a customer, suppliers are members of the family. Every year, we invite them to our CLAAS Suppliers' Day to exchange knowledge with them and create a basis for jointly developing innovations. And every year we honor our best suppliers with awards.

In the area of non-production materials we have wholly outsourced responsibility for the supply chain to external partners, including warehousing for some 2,500 items with approximately 30,000 goods movements. Our release orders are placed over the Internet from online catalogs. The entire order processing cycle right up through payment is electronic, which relieves the burden of our accounting department. We have dissolved both of our warehouses in Paderborn and Harsewinkel. Previously, they provided a total of 30,000 items a year. Our orders are now placed online. The production managers refer to online catalogs. An electronic billing process also lessens the workload of our financial and accounting staff.

... WITH INVESTORS

Maintaining our independence as a family-owned company is one of our foremost priorities. We create the necessary degree of freedom by pursuing profitable growth, securing liquidity, and keeping an adequate equity base. Corporate financing forms the basis of our growth strategy. Against the backdrop of the increasingly restrictive credit policies of banks, as a medium-sized, multinational company we not only have to diversify our product portfolio and markets to minimize risks, but our financing as well. We started to diversify it as early as the mid-90s. The internationalization of our financing resources and the extension of the average maturity of our financing profile are exemplary for a mid-sized company with a global presence. In financing our activities, we resort to both conventional bank financing and innovative capital market financing.

Access to the capital markets is not necessarily easy for mid-sized companies. Often, the company lacks the critical size and a convincing credit story to build lasting partnerships with investors. For many years, CLAAS has been pursuing a capital market-oriented corporate policy that is measured according to criteria such as transparency, reliability and international comparability. We regularly approach the capital markets with innovative themes that sharpen our profile and contribute to higher liquidity for the financing products we issue. Mid-sized status and the capital market are not contradictory terms for us. The reliability of being a family-owned company combined with our unique approach to corporate financing creates an environment that fosters value-oriented management.

We first entered the capital market in 1997 with the issue of participation certificates and a syndicated credit facility. We issued a euro bond and entered new territory in the U.S. insurance market with the private placement of bonds. Another innovation was the issue of subordinated perpetual bonds. The equity bond process makes it possible to issue bonds that according to the strict regulations of the IFRS are reported as equity while from a tax perspective they are treated as borrowed capital. In 2006 we issued our second European securitization program for trade receivables (ABS) in a volume of €250 million.

In July 2007 we extended our syndicated loan for €250 million until 2014 under the existing conditions. Our long-term approach to securing financing puts CLAAS in a position at any time to cover any typical seasonally dependent needs for financing from various sources.

SWATHS IN NEW DIMENSIONS

The new LINER family features machines with the robustness customers expect from CLAAS as well as the highest degree of comfort in operation and service. The result is a tool that not only offers exceptional performance, but also yields optimum feed quality.



CONSOLIDATED MANAGEMENT REPORT

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CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

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CONSOLIDATED MANAGEMENT REPORT OF THE CLAAS GROUP

INDUSTRY TRENDS

The global market for agricultural technology made slight gains in fiscal 2007. As in fiscal 2006, economic trends differed in the various regions. While Western European markets saw moderate growth overall, the growth markets of Central and Eastern Europe made significant progress. The North American markets stabilized, and the South American markets experienced a noticeable recovery. In India, the market remained stable at a high level.

In Western Europe, nearly all product groups increased unit sales. Despite the fact that harvests were slightly below average due to poor weather conditions and pests, incomes increased thanks to higher crop prices. This ensured a good investment climate. The combine harvester market benefited from high grain prices. The tractor market was stable on the whole.

Central European markets generated strong growth once again. Increased crop prices boosted investment here as well. Agricultural modernization is making great strides in Central Europe, with demand on the rise for replacement parts and new equipment incorporating Western European agricultural technology. This trend is being driven by Poland and Hungary in particular. New EU members Romania and Bulgaria are also benefiting from the open markets.

In the Eastern European market for tractors and combine harvesters, the expansion experienced in fiscal 2006 is continuing. Determination to modernize Eastern European agriculture remains unabated and is receiving support from both private and government sources.

In North America, the growing importance of renewable energies influenced the agricultural technology market. Crop prices approached record highs, strengthening farmers' income and contributing to a revival of the combine harvester market. However, investments remained conservative in other areas due to running negotiations to continue the U.S. Farm Bill

and, as a result, the tractor market remains at last year's level.

The South American market is showing clear signs of recovery after the declines of recent years. However, despite achieving growth last year, the markets have not yet recovered to earlier levels. The export markets of Brazil and Argentina are benefiting from high prices for corn and soy resulting from global demand for agricultural commodities, which has risen due to increased demand from Asia and in the markets for renewable energies.

In India, the market stayed constant at last year's high levels. Crop yields there have been stable due to consistently good monsoon seasons, ensuring that machine markets remain robust.

FINANCIAL PERFORMANCE

SALES

Sustained sales growth in Agricultural Equipment

Sales of the CLAAS Group increased by 13.1% to €2,658.9 million in fiscal 2007. While the Agricultural Equipment and Industrial Engineering segments reported significant sales growth, revenues in the Production Technology segment decreased slightly due to developments in the automotive and aviation industry. All major markets contributed to the sales increase in Agricultural Equipment, though market growth showed regional variations. Total Agricultural Equipment sales increased by 14.1% to €2,468.2 million. Sales in Production Technology dropped slightly from €153.3 million to €149.5 million (-2.5%), and sales in Industrial Engineering climbed 22.7% to €41.2 million.

In the Agricultural Equipment segment, CLAAS increased sales – in part significantly – in the regions of Western, Central, and Eastern Europe. The Group maintained or expanded its market position in most regions and product groups.

SALES

in € million

03*	69.2	30.8	1,496
04	76.8	23.2	1,928
05	75.1	24.9	2,175
06	76.3	23.7	2,351
07	76.3	23.7	2,659

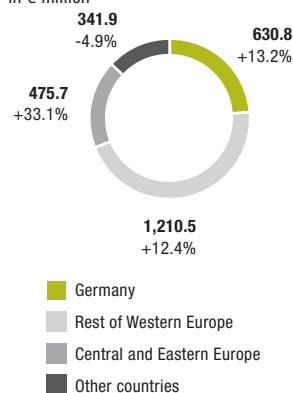
■ German sales in %

■ Foreign sales in %

* Figures based on U.S. GAAP

SALES BY REGION

in € million



■ Germany

■ Rest of Western Europe

■ Central and Eastern Europe

■ Other countries

In Western Europe, the most important agricultural technology market for CLAAS, sales rose 14% to €1,714.7 million, mainly based on sales of harvesting machinery and tractors. On the whole, CLAAS has asserted itself in this market and solidified its position in both of these product areas. Relative growth in harvesting machinery surpassed that of the market as a whole. In the tractor business, we improved sales significantly despite the unchanged levels of the overall market, thus increasing our market share.

In Germany, CLAAS continued its good performance of the previous year. Agricultural Equipment sales rose 16% primarily due to the growth in the tractor and forage harvesting machinery businesses. In France, CLAAS' largest European agricultural technology market, sales rose following the slight decline of the previous year. Combine harvesters and tractors contributed equally to the increase. In the United Kingdom, CLAAS achieved growth in all product groups, with tractor sales particularly strong. CLAAS significantly improved the Company's position in this market. On the Iberian peninsula, a turnaround was achieved following the drought-induced declines of recent years. Despite moderate declines in the overall market, CLAAS increased sales, resulting in a significant improvement in the Group's market position. In Scandinavia, CLAAS continued the upward trend of recent years. As in fiscal 2006, growth was particularly high in Sweden and Norway. Ireland, Italy and Austria also made major sales contributions.

Sales in the agricultural technology markets of Central Europe, which are playing an increasing role in global trade, surpassed last year's levels by a wide margin. Poland, Hungary and Latvia achieved particularly strong growth.

In the Eastern European markets, CLAAS continued to profit from the sustained high growth of recent years, although a temporary decline in the Belarus market in 2007 resulted in a somewhat lower overall growth rate than previously experienced.

Outside of Europe, Agricultural Equipment sales fell slightly by 4%. Performance in the individual countries was extremely varied, with continued decline in Australia due to the persistent drought of the past several years.

The CLAAS Group's share of foreign business in total sales remained constant at 76.3%.

Dynamic sales growth in combine harvesters and tractors

The favorable performance of the harvesting machinery business, especially in Germany, the United Kingdom, France, the Central and Eastern European markets, and Argentina, led to another substantial sales increase for our combine harvester product group. Combine harvesters in the medium to high performance range made the greatest contribution to this growth.

Tractors, the second highest selling product group after combine harvesters, also performed very well. Scandinavia, especially Denmark, Norway, and Sweden, as well as Germany, the United Kingdom, Greece, Ireland, Poland, and the CIS countries, all registered significant growth. The sustained success of the tractor business rested primarily on tractors in the high performance classes.

Sales of forage harvesters increased markedly, particularly in Germany. The business benefited from the increasing trend toward extracting energy from sustainable raw materials, among other things. All in all, CLAAS solidified its leading position in the world market at a high level.

In forage harvesting machinery, CLAAS achieved particular sales growth in the Western and Eastern European markets. The Group's market positions remained stable. As a result of to the upward trend in Germany and other Western and Central European countries balers also experienced strong growth.

Sales of spare parts and accessories were supported by the excellent performance of the new machinery business of the previous years, with growth being achieved in all key markets. CLAAS places great emphasis on this area because high service levels are very important to our customers. This encouraging trend reflects the efforts of the service division to support our customers along the entire lifecycle of their machines.

In contrast to the previous year, the used machinery business performed very well. Sales focused on the

major agricultural technology markets of France, the United Kingdom, and Germany.

In the Production Technology segment, sales decreased slightly from €153.3 million in fiscal 2006 to €149.5 million in fiscal 2007. The improving sector trend experienced towards the end of fiscal 2007 was insufficient to fully compensate for the weak order-level in fiscal 2006 and the low level of new orders at the start of fiscal 2007, due in particular to uncertainty in the aviation industry. The market is in a transitional phase, in particular in the aviation industry, which is leading to delays in awarding contracts for production equipment for new aircraft types. The business trend in the automotive industry was also affected by the general market slump at the start of the fiscal year.

In the Industrial Engineering segment, external sales increased by +22.7% to €41.2 million. This growth resulted primarily from foreign sales. The upward trend benefited from high demand for axles and transmissions. The principal buyers of CLAAS Industrial Engineering products are customers from the agricultural technology and municipal technology sectors.

EARNINGS

Significant earnings increase

The gross profit on sales increased by €73.0 million over the previous year to €641.2 million, a rise of 12.8%. The increase resulted from sales growth of €308.0 million or 13.1%. The gross profit margin of 24.1% remained at the high level of the previous year (24.2%). This improvement to earnings was largely due to unit sales increases in harvesting technology. The upward trend was bolstered by the tractor business, which outperformed other areas. The total gross profit margin for Agricultural Equipment improved over the previous year. Production Technology, however, saw declines in earnings and profit margins.

The improvement in Agricultural Equipment earnings reflects the solid position of CLAAS in the market as a technology leader and premium supplier. The high benefits customers derive from our products, which are sold by a professional sales organization, reinforce our position in all relevant markets. In after-sales, additional earnings resulted from expansion

of the business. The close integration of development, production and the sales organization as well as customer service and spare parts service was also a major factor contributing to our success in fiscal 2007, as demonstrated by the significant rise in income.

Profitability was additionally fortified by ongoing, long-term programs with sustainable effects aimed at increasing efficiency and improving production processes. These programs focused in particular on optimizing logistics and procurement processes, the success of which is underscored by receipt of the two most respected awards for logistics and procurement in Germany. Moreover, we largely avoided negative effects from the fluctuation of the dollar during the year through efficient currency management and hedging.

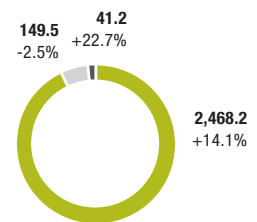
The Production Technology segment experienced declines in earnings and profit margins due to a combination of sluggish growth in new orders as described above and the cancellation of a major aviation contract. As a result of uncertainty regarding further developments in the European aviation industry in particular, we found it advisable to recognize impairment losses on some assets. Moreover, additional restructuring measures were initiated in toolmaking due to the persistently difficult competitive environment.

By contrast, the gross profit in the Industrial Engineering segment improved once again. The substantial business expansion was more than able to compensate for price pressure in the components markets as well as the extraordinary expenses for a plant conversion to be completed in fiscal 2008.

Operating income of the CLAAS Group rose again considerably by €33.1 million to €180.5 million. Operating income as a percentage of sales increased from 6.3% to 6.8%. The substantial increase of 22.5% in operating income was due primarily to structural improvements and efficiency increases in production areas as well as in sales and administration. Cost structures improved significantly, with the level of sales and general and administration costs as a percentage of total sales declining from 14.3% to 13.4%. In research and development, CLAAS contin-

SALES BY BUSINESS SEGMENT

in € million



- Agricultural Equipment
- Production Technology
- Industrial Engineering

INCOME BEFORE TAXES

in € million

03*	22.6
04	36.1
05	86.4
06	130.7
07	175.8

* Figures based on U.S. GAAP

ued its product development offensive in Agricultural Equipment, particularly with regard to tractors. We increased research and development expenditure by 9.3% to €109.6 million in the year under review in order to meet the demands of our ambitious development program. The share of development projects launched on the market rose considerably in comparison with fiscal 2006. Accordingly, research and development expenses after capitalizing development costs and offsetting amortization also increased disproportionately, rising 19.7% to €102.8 million. The R&D capitalization rate declined due to seasonal factors from 34.3% in fiscal 2006 to 28.1% in fiscal 2007. Other operating expenses, net of other operating income, amounted to €0.3 million. This represented a slight increase in net expense from the other operating income of €0.6 million in fiscal 2006. The figure for fiscal 2007 includes goodwill impairments totaling €18.2 million (previous year: €10.5 million). The impairment losses were recognized in the Production Technology segment for the most part due to the developments described above.

EXPENSE STRUCTURE BY FUNCTIONAL COST

(in % of net sales)	2007	2006
Cost of sales	75.9	75.8
Selling expenses	10.3	10.9
General and administrative expenses	3.1	3.4
Research and development expenses	3.9	3.7

The financial result is comprised of “income from investments,” “interest and similar expenses, net,” and “other financial result.” These items are stated separately in the income statement. The financial result improved by €12.0 million to €-4.7 million (previous year: €-16.7 million).

INCOME STRUCTURE

	2007 € million	2007 in %	2006 € million	2006 in %
Net sales	2,658.9	100	2,350.9	100
Gross profit on sales	641.2	24.1	568.2	24.2
Operating income	180.5	6.8	147.4	6.3
Financial result	-4.7	-0.2	-16.7	-0.7
Income before taxes	175.8	6.6	130.7	5.6
Net income	114.8	4.3	80.9	3.4

Income from investments again made a substantial contribution to the improvement in the financial result, primarily due to the income contributions from CLAAS Financial Services S.A.S. and CLAAS Finance Ltd., both of which are accounted for under the equity method. Total income from investments rose by €0.5 million to €5.4 million.

The sum of “interest and similar expenses, net” and the “other financial result” improved by a total of €11.5 million. The increase of €5.8 million in “interest and similar expenses, net” was primarily due to the substantial rise in interest income from temporary investments related to the Company’s strong liquidity position and interest rate trends in the financial markets. The improvement of €5.7 million in “other finance income/expense, net” was mainly due to higher income from currency translation. The flexible hedging strategy selected allowed CLAAS to react to developments during the year with favorable results.

The improvement in operating income and the financial result led to a significant rise in income before taxes of €45.1 million to €175.8 million, representing an increase of 34.5%.

The Group’s net income rose even more than pre-tax earnings, increasing 41.9% from €80.9 million to €114.8 million. The tax rate of only 34.7% is below the Group’s theoretical tax rate of 38.0%. This is largely attributable to a change in German corporate tax laws. Legislative reforms resulted in tax income of €14.4 million based on recognition of a claim to a corporate tax refund. The discounted amount resulted from the former calculation procedures for corporate taxes and will be credited in installments over the next 10 years.

CASH POSITION

CASH FLOWS

Cash flows increase significantly over fiscal 2006

Cash flow in accordance with DVFA/SG improved once again in the reporting year, rising 37.9% from €171.4 million in fiscal 2006 to €236.3 million in the year under review. This strong upward trend is primarily attributable to the improved earnings situation. However, the increase in cash flow exceeded the earnings increase due to the effect of non-cash expenses, particularly higher depreciation and amortization of non-current assets.

Net cash provided by operating activities increased by €113.8 million to €264.8 million (previous year: €151.0 million) as a result of the improvement in cash flow in accordance with DVFA/SG and the increase in current provisions based on obligations arising from sales in particular. This item also involves non-cash deductions from earnings.

Net cash used for investing activities increased from €13.6 million to €54.3 million. The increase of €40.7 million resulted mainly from increased payments related to capital expenditure for capitalized development costs, other intangible assets and property, plant and equipment and the relatively low level of net proceeds from the sale of securities. Payments made related to capital expenditure for capitalized development costs, other intangible assets, and property, plant and equipment amounted to €100.8 million (previous year: €83.7 million) and related primarily

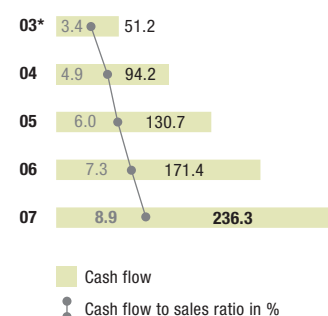
to capital expenditure for capitalized development costs and property, plant and equipment. This figure was partially offset by net proceeds from the sale of securities in the amount of €44.4 million (previous year: €110.6 million).

Net cash used for financing activities amounted to €4.1 million, a decline of €83.2 million from the previous year's figure of €87.3 million. The high level of net cash used for financing activities in fiscal 2006 was primarily due to repayment of a Eurobond in the amount of €100 million.

As a result of the disproportionate rise in cash flows, the ratio of cash flow (DVFA/SG) to sales improved considerably to 8.9%, up from 7.3% in fiscal 2006.

CASH FLOW (DVFA/SG)

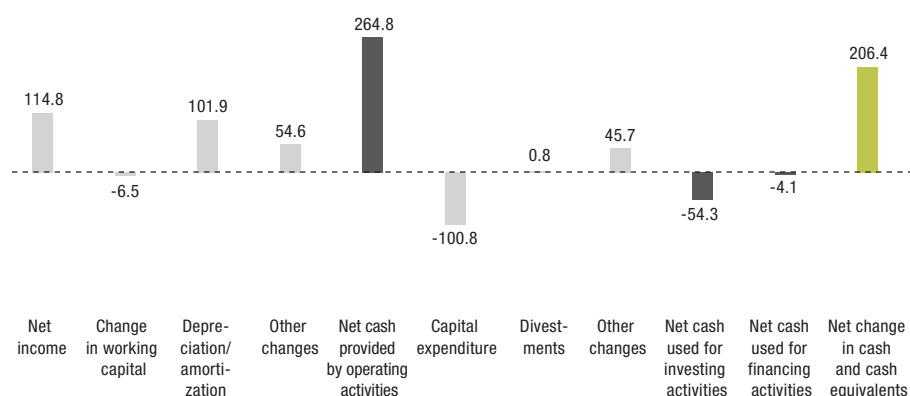
in € million



* Figures based on U.S. GAAP

STATEMENT OF CASH FLOWS

in € million



STATEMENT OF CASH FLOWS

	2007 € million	2007 in %	2006 € million	2006 in %
Cash flow in accordance with DVFA/SG	236.3	46	171.4	56
Net cash provided by operating activities	264.8	52	151.0	49
Net cash used for investing activities	-54.3	-11	-13.6	-5
Net cash used for financing activities	-4.1	-1	-87.3	-28
Net change in cash and cash equivalents	206.4	40	50.1	16
Effect of foreign exchange rate changes on cash and cash equivalents	-2.5	-	-1.0	-
Cash and cash equivalents at beginning of year	307.4	60	258.3	84
Cash and cash equivalents at end of year	511.3	100	307.4	100

LIQUIDITY AND FINANCING

Solid liquidity position and finance structure

As of the balance sheet date, liquid assets (cash and cash equivalents plus securities classified as current assets) had risen considerably by €161.9 million to €597.9 million from €436.0 million a year earlier. The net income of €114.8 million generated by the Company made a substantial contribution to this increase.

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

Asset-backed securities (ABS) programs with variable participation levels are in effect to reduce seasonally related liquidity fluctuations. These programs involve selling trade receivables on a revolving basis to special purpose entities which refinance themselves on the capital markets. During fiscal 2007, CLAAS transferred trade receivables up to a maximum volume of €251.0 million (previous year: €284.7 million) in connection with ABS programs. At the end of the reporting period, the volume of receivables transferred amounted to €127.8 million (previous year: €131.4 million).

The comfortable liquidity position of CLAAS at the end of the fiscal year is also reflected in the cash ratio (liquid assets in relation to current liabilities). At the end of fiscal 2007, this figure was 94.9% and thus well in excess of the previous year's very good level of 77.4%. The quick ratio (the ratio of current monetary assets to current liabilities) was at a very high level – 148.6% – as of September 30, 2007 and likewise well in excess of the previous year's figure of 135.4%.

As of the reporting date, financing commitments received by the CLAAS Group totaled €718.5 million (previous year: €760.4 million). The decrease of €41.9 million from fiscal 2006 relates to financing commitments and resulted from scheduled loan repayments and, to a lesser extent, valuation effects. As can be seen in the breakdown in the notes to the financial statements, financing commitments also include a bond in the amount of USD 200 million placed privately with institutional investors in the U.S. in December 2002. The bond has a coupon of 5.76% and a term of up to twelve years. In addition, a new multicurrency loan facility (syndicated loan) amounting to €250 million with an original term of five years was established in July 2005. In July 2007, the term of the loan was extended by another four years, i.e., until 2014.

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

BALANCE SHEET STRUCTURE

	2007 € million	2007 in %	2006 € million	2006 in %
Non-current assets	493.3	27.8	501.9	31.1
Current assets	1,282.7	72.2	1,109.5	68.9
Total assets	1,776.0	100	1,611.4	100
Equity	604.4	34.0	502.5	31.2
Non-current liabilities	541.4	30.5	545.4	33.8
Current liabilities	630.2	35.5	563.5	35.0
Total equity and liabilities	1,776.0	100	1,611.4	100

FINANCIAL POSITION

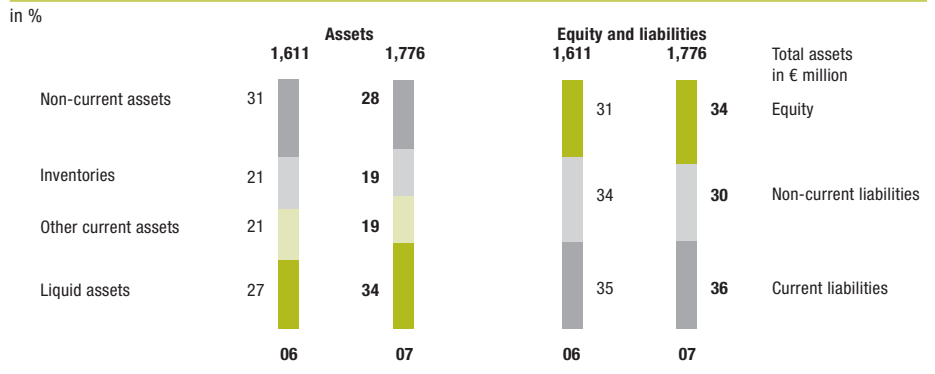
Strong liquidity position, balance sheet ratios further improved

Total assets as of the reporting date had increased by €164.6 million from the previous year's level to €1,776.0 million due to the continued expansion of business volumes. The financial ratios also changed: while the ratio of liquid assets to total assets increased, the ratios of non-current assets, inventories and receivables to total assets decreased.

Non-current assets declined by €8.6 million to €493.3 million and accordingly, the ratio of non-current assets to total assets decreased from 31.1% to 27.8%. The additions to non-current assets totaling €113.0 million (previous year: €91.3 million) were partly offset by disposals at a residual carrying amount of €18.2 million (previous year: €9.7 million).

The additions of €42.6 million to intangible assets related primarily to development projects, the costs of which were capitalized. Amortization/impairment in the amount of €48.0 million and disposals at low residual carrying amounts were deducted from these additions. The carrying amount of intangible assets thus declined by €4.3 million to €141.3 million as of the reporting date. Property, plant and equipment also declined from the previous year's level, decreasing €3.2 million to €257.6 million. The addition to property, plant and equipment of €58.8 million refers primarily to capital expenditure for product-specific tools related to the launch of new products. We also modernized and expanded our production locations. Disposals at residual carrying amounts totaling €5.9 million and depreciation/impairment amounting to €54.2 million were deducted from these additions. The net carrying amount of investments in associated companies increased to €31.1 million. The addition of €9.9 million to investments in associated companies is primarily attributable to earnings contributions from equity-accounted investments. The disposals at residual carrying amounts totaling €5.8 million resulted mainly from dividends collected. Other investments remained constant at €1.3 million.

BALANCE SHEET STRUCTURE



Deferred tax assets, which are required to be classified as non-current assets, decreased by €13.9 million to €14.5 million. Other non-current receivables and financial assets declined by €4.3 million to €34.8 million.

Current assets increased by €173.2 million from €1,109.5 million to €1,282.7 million (+15.6%). The ratio of current assets to total assets increased accordingly from 68.9% to 72.2%.

Inventories were nearly unchanged in spite of the business expansion. Due to above-average sales growth, average inventory turnover decreased from 13.5% to 12.8%, which is an excellent figure within the industry.

Trade receivables increased by €11.4 million from €187.6 million to €199.0 million based on the expansion of business volumes. The relatively minor increase in receivables was due to utilization of asset-backed securities (ABS) programs. As a result, receivables turnover (the ratio of the average balance of trade receivables to sales) decreased further from 9.3% to 7.3%. The days sales outstanding (DSO) remained nearly constant at 43 days (previous year: 45 days) after adjustment for ABS.

Liquid assets (including securities classified as current assets) increased sharply from €436.0 million to €597.9 million as a result of the good earnings situation. The ratio of liquid assets to total assets rose from 27.1% to 33.7%.

Solid cover ratios

Equity rose by €101.9 million to €604.4 million, up from €502.5 million a year earlier. The increase was largely based on the rise in net income of +41.9% to €114.8 million and was partially offset by the dividends paid to shareholders in the fiscal year. The equity-to-assets ratio improved from 31.2% to 34.0% as of the reporting date. Hence the equity base of CLAAS was strengthened through internal financing.

Non-current liabilities decreased slightly to €541.4 million as of the reporting date, from €545.4 million a year earlier. Along with pension provisions, non-current liabilities include all financial and other liabilities as well as other provisions with a remaining term of more than one year. This item also includes the silent partnership of the CLAAS employee participation company (CLAAS Mitarbeiterbeteiligungs-Gesellschaft GmbH) in the amount of €22.2 million (previous year: €20.6 million) as well as the deferred taxes defined as non-current under IFRS. The decline of non-current liabilities in the amount of €4.0 million resulted primarily from the reduction in non-current financial liabilities.

The cover ratios of CLAAS remain solid: Equity and non-current liabilities cover 232.3% of non-current assets (previous year: 208.8%). The ratio of equity and non-current liabilities to the sum of non-current assets and 50% of inventories reached 172.3%, surpassing last year's high level of 156.0%.

CAPITAL EXPENDITURE

Total capital expenditure for the 2007 reporting year amounted to €113.0 million, up substantially from the previous year's figure of €91.3 million. Investments in property, plant, and equipment and intangible assets excluding goodwill reached €101.4 million, and exceeded both the previous year's level of €84.3 million and the corresponding depreciation and amortization as in prior year.

Capital expenditure for intangible assets amounted to €42.6 million and related mainly to capitalized development costs. Development activities were directed in particular toward modernizing and expanding our product ranges of combine harvesters, foragers, and tractors. In addition, resources were utilized for AGROCOM agricultural control systems. During the year under review, the project to implement SAP R/3 throughout the entire Group continued in full swing. Three additional locations – Argentina, Russia, and the United Kingdom – now benefit from the advantages and the synergies resulting from Group-wide use of this ERP system.

Capital expenditure for property, plant and equipment focused primarily on product-specific tools and special assemblies required to expand our product range and upgrade models. Emphasis was placed once again on projects aimed at modernizing our global production locations. Investments were also made in modernizing our paint-shop installations to make them more environmentally friendly. This will ensure that we will be able to comply with the highest environmental standards now and in the future.

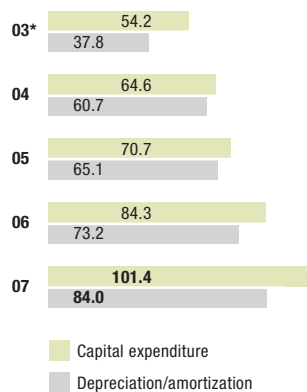
CLAAS also provided considerable funds to establish a new production facility in India. Land was purchased in the vicinity of the northern Indian city of Chandigarh for this purpose. Combine harvesters developed specially for India and adapted to local crop conditions will be manufactured at the new plant. The increased presence of CLAAS in the Asian region will enable the Company to participate even more in the success of this rapidly expanding market.

From a regional perspective, capital expenditure focused on Western Europe, as in previous years. However, investment tendencies are rising in Eastern Europe, Asia, and the United States.

Taking into account capitalized development costs, the ratio of capital expenditure to sales was 3.8%. The investments were financed in full by operating cash flow.

CAPITAL EXPENDITURE AND DEPRECIATION/AMORTIZATION

in € million



* Figures based on U.S. GAAP

RESEARCH AND DEVELOPMENT

Growth through innovation

Research and development expenses before capitalization and amortization of development costs increased approximately 10% in the year under review, from €100.3 million to €109.6 million. This renewed increase following the strong growth in fiscal 2006 underlines the importance of research and development at CLAAS, as does the increase in patent registrations from 72 original patent applications in fiscal 2006 to 82 in the year under review. The ratio of research and development expenses to total sales remained nearly constant at 4.1% (previous year: 4.3%).

Our intensive research and development work in fiscal 2007 resulted, among other things, in the following:

- **Combine harvesters** – The new premium TUCANO combine harvester introduces many of the features of the LEXION series into the upper medium class. Beyond maximum threshing performance thanks to the Accelerated Pre-Separation System (APS) and the highest straw quality, the TUCANO’s most striking features are its CEBIS on-board information system, which has a large color screen, and big windows that make it easy to monitor crop feed and attachments. Other advantages include optimal weight distribution and a large grain tank volume of up to 9,000 liters. Standardization of the cutterbar interface has enabled features such as the multi-coupler, hydraulic reel drive, automatic reel speed adjustment as well as the central locking system and the VARIO cutterbar, which were only previously offered in the LEXION series. Notable features new to the LEXION series are radial distribution in the LEXION 560 and the new V 1050 VARIO high-performance 10.5 meter cutterbar. The V 1050 VARIO achieves up to 10% more output. CLAAS’ new TELEMATICS option enables monitoring of combine performance from anywhere that Internet access is available.

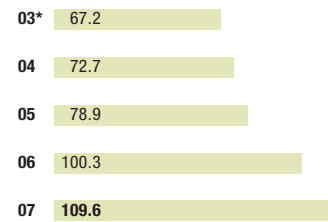
- **Self-propelled forage harvesters** – the completely new JAGUAR 900 series combines efficiency with low maintenance while providing superior operation, cabin comfort and accessibility. A light-weight design and improved weight distribution significantly reduce soil compression. The new JAGUAR continues to enable the use of wide attachments up to 9 meters. A new knife drum and 30% higher engine output (up to 830 HP) guarantee more power, while reduced maintenance, perfect driving comfort and driver assistance systems allow the machines to be operated continuously for long periods.

- **Tractors** – CLAAS also presented many innovations in its tractor business. In the XERION series, this included the introduction of GPS Pilot and the Headland Management System. The series was also expanded to include a 379 hp model. The CLAAS AXION introduces another new tractor concept that features impressive comfort, versatility, intelligence, and cost-effectiveness and sets the trend in high-performance tractors. The AXION combines fundamental innovations and progressive technologies that support customers and increase machine efficiency. Some of these features include the CLAAS Power Management system, the CEBIS monitor, multifunctional arm rests equipped with DRIVESTICK, and the infinitely variable CMATIC transmission. The ARION, the next generation of the successful ARES 500/600 was also converted to high-quality and economical TIER 3 engine technology. The German agricultural publishing house, DLV, named the ARION the “Machine of the Year 2008”. Beyond the design, the new series features modernized and optimized ergonomics and operation. ARION 540 and ARION 640 are also available with the CLAAS Power Management system.

- **Balers** – The new QUADRANT 3200 baler has a new add-on and hydraulically controlled pre-chamber for producing highly compressed bales under all conditions. The new drives increase crop feed by 30%. The QUADRANT 2200 Advantage supplements the

RESEARCH AND DEVELOPMENT EXPENSES BEFORE CAPITALIZED AND AMORTIZED DEVELOPMENT COSTS

in € million



* Figures based on U.S. GAAP

CLAAS line in this bale size. CLAAS VARIANT 350 and 370 round balers provide ideal solutions for farms with their own machinery that are focused on baling hay and straw. These balers reliably pick up any crop volume and produce dimensionally stable bales. The ROLLANT product line was also completely redesigned, featuring not only a new design but also new ISOBUS operator terminals, a new MPS Maximum Pressure System (ROLLANT 350/355), and many other improvements.

- Forage harvesting machinery – the rear disc mower family was expanded to include the new DISCO 3900 CONTOUR mower with a 3.80 m working width. Designed and built for operations that require high mower and forage harvesting quality, this mower – equipped with central hitching – offers an alternative to the proven rear mowers in this class. The well-known P-CUT cutterbar generation from the COUGAR series was also integrated into all DISCO models. The CLAAS line of swathers has reached new heights with a new generation of dual-rotor central swathers with working widths of 6.2 to 9 m. All models of the LINER 2600-2900 line can still be reduced to a transport height of under 4 m without removing the tine arms and without leaving the cab despite swather diameters up to 3.8 m.

- AGROCOM has expanded its line of GPS steering systems and now offers four different accuracy classes. New are the “RTK systems” with steering accuracies of up to 2 cm. The first RTK networks are already available on the market. An ISOBUS terminal for use with a variety of farm equipment and including job computers expands the number of monitors currently available. The newly developed Optiplan Profi software synchronizes master data with the master datasets managed on the PC, which are collected from the intelligent operator terminals in the field (e.g., sugar beet and potato harvesters). This way, machine operators can also track master data management during the operation. This minimizes the time needed to identify the datasets.

PURCHASING

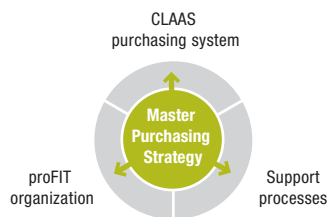
In fiscal 2007, we continued our work to implement and optimize “CLAAS Value Sourcing,” a comprehensive purchasing strategy systematically developed over the past three years. Our efforts focused particularly on the two core initiatives: supplier integration and best cost country sourcing.

We enjoy a fruitful collaboration with our suppliers true to the motto “growing together – creating value.” In spite of the fact that our suppliers are operating at high capacity as a result of the strong economy, we have succeeded in ensuring the supply of production materials. By concentrating on only the best suppliers and partnerships built up over the past few years, we have turned our integrated global supplier network into one of the mainstays of our value-added chain.

CLAAS has used value sourcing to continually increase profits and reach new innovative heights. Value sourcing is based on two main elements: first, the proFIT organization to support cooperation and combine competencies and second, a selection of powerful tools to implement our master purchasing strategy, which are integrated into the CLAAS purchasing system. The CLAAS purchasing system is thus made up of a combination of inter-coordinated purchasing initiatives and includes a method portfolio containing more than 20 sourcing tools that are applied specifically as needed. Some initiatives that exemplify value sourcing are described below.

The supplier integration initiative combines all methods and procedures for integrating development and supply partners into the value-engineering, value-added, and logistics chain. For instance, we integrate suppliers into the development of new products at an early stage by holding design symposiums at which suppliers contribute their development and production expertise to help reinforce CLAAS’ technology leadership.

CLAAS VALUE SOURCING



Production volumes of the CLAAS Group were systematically examined for best cost country sourcing potential in a review that included all production companies and the relevant Company departments. The proFIT teams globally coordinated the analysis, which not only led to exceeded targets in Eastern Europe, but also to a twofold increase in volumes procured from India in comparison with fiscal 2006.

With regard to supplier relationship management, we carried out universal supplier evaluations for all locations and departments. The goal of this innovative tool that is integrated into the system landscape is to systematically identify strategic suppliers and to stimulate supplier performance and willingness to cooperate.

We succeeded in steadily increasing productivity and efficiency, for instance by using new electronic catalogs for office supplies, computer equipment, consumer goods, etc. as well as tools. In addition, CLAAS' new Supplier.Net has created a foundation for an efficient exchange of information and cooperation between the various divisions and departments of the CLAAS Group and its suppliers.

Our consistent development and successful implementation of these various projects have already paid off. A high-level committee awarded CLAAS Purchasing the renowned Innovation Prize of the German Association for Materials Management, Purchasing and Logistics (BME).

HUMAN RESOURCES

As a family-owned company, CLAAS values long-term thinking and action. This is why we gear our personnel policy toward continuity, identification with the Company, and enduring structures.

Our long-term personnel policy rewards us with confident employees and forms the basis for maintaining

stable jobs. As of the September 30, 2007 reporting date, CLAAS employed a total of 8,425 individuals.

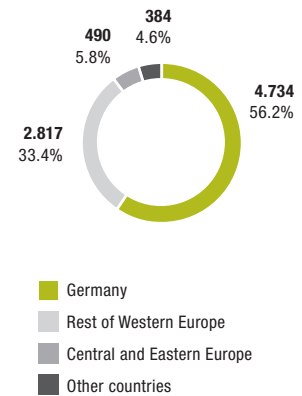
CLAAS places high priority on systematic personnel development. Offering training opportunities to our junior managers is an important part of securing our future. This is reflected in our high ratio of trainees to full-time equivalents of 7.5%, which is well over the industry average. For many years, Group companies have been offering high-quality training in approximately 20 business and technical fields to young people in Germany, in France, the United Kingdom and India.

Another building block of our systematic personnel development program is the International Trainee Program, which is a junior staff advancement program offered in Germany, the U.S., Russia, Hungary, and France. International assignments at our foreign subsidiaries are a crucial part of this program. We select young college graduates for the International Trainee Program on the basis of Group-wide criteria. This training program is also based on uniform CLAAS principles that are adapted to meet the conditions and requirements of the individual countries.

We promote our corporate culture by making use of selective employee advancement programs that are aimed at filling the majority of open positions from within our own ranks. Global assignments enable our employees to establish their own international network within the CLAAS Group. These programs in combination with systematic expansion of knowledge and experience exemplify our efforts to offer our employees excellent long-term perspectives in our Company. This helps the CLAAS Group to grow together and encourages a uniform culture and common values.

During the past fiscal year, we continued to reorganize our management training program begun three years ago. The management training program is a general training program that now also addresses experts and employees without supervisory responsibilities.

EMPLOYEES BY REGION



RISK MANAGEMENT

RISK MANAGEMENT SYSTEM

As a globally active corporate group, CLAAS is subject to various types of risk in connection with its worldwide business operations. Acting entrepreneurially means deliberately taking risks in order to take advantage of the related opportunities. The goal of opportunity and risk management at CLAAS is to take on reasonable, controllable risks and to deal with these risks in a responsible manner. This involves identifying existing risks as early as possible, limiting the effects of these risks, and avoiding any threat to the continued existence of the Company.

In the CLAAS Group, a uniform, Group-wide, systematic risk management system is an integral part of corporate management and control. This serves to take advantage of opportunities and to identify and control possible risks. The risk management and control system utilizes a wide variety of information for ongoing identification, evaluation, and control of risks. The existing system, which is continuously developed, fulfills statutory early warning requirements.

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

INDUSTRY AND COMPANY-SPECIFIC RISKS

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

Acting entrepreneurially also involves dealing intensively with all risks along the value-added chain. Due to faster innovation cycles, research and development activities are critical in ensuring that innovative and technically mature products are launched on the market for the benefit of customers.

On the procurement side, risks are minimized by constantly observing the relevant markets and by drafting contracts and taking other measures that ensure supplier commitment to CLAAS for as long as possible.

In the production facilities, all equipment is serviced regularly and any sources of risk are eliminated by modifying the equipment in order to reduce the risk of production down time (e.g., due to fire or technical defects). Flexible working time models ensure that the required human resources are always available, even during peak periods. In order to reduce quality risks, CLAAS has entrusted a central quality management department with the task of determining quality assurance strategies and coordinating standards with the operating divisions.

Markets and certain early warning indicators are observed in detail on an ongoing basis in order to identify any fluctuations in demand or changing buying behavior in our sales markets at an early stage. This further ensures that product strategies are updated and adapted to meet changed customer requirements and to react to competitors.

FINANCIAL RISKS

Financial risks and currency risks are countered by employing hedging instruments as well as regular, intense monitoring of a set of early warning indicators. Credit risks that could result from payment default or delayed payments are minimized through effective receivables management, close cooperation with banks and credit insurance. With regard to the disclosure requirements for risk management with respect to the use of financial instruments as codified in Section 315 (2) of the German Commercial Code, please refer to note 34 to the consolidated financial statements ("Derivative Financial Instruments and Hedge Accounting").

IT RISKS

IT management at CLAAS enables our systems, security strategies and concepts to be effectively and continuously adapted and coordinated to reflect current requirements and developments. Our IT strategy is characterized by uniform, Group-wide, standardized and clear IT structures.

LEGAL RISKS

Our decisions are based on intense legal consultation in order to counter any risks that could arise from the various provisions and statutes regarding taxes, competition laws, patents, and environmental protection. Selected risks are transferred to insurance companies where this makes economic sense. We continued our international insurance program aimed at achieving optimum risk protection and creating Group-wide uniformity and transparency by means of global master policies and national framework agreements. The possibility of premium increases in the insurance market is countered by a number of pro-active measures.

ASSESSMENT OF THE OVERALL RISK POSITION OF THE CLAAS GROUP

An analysis of the individual risks currently discernable has not identified any risks that – singly or in combination with other risks – could jeopardize the continued existence of the CLAAS Group during or beyond the period under review.

OUTLOOK FOR 2008

Global demand for agricultural commodities is on the rise. As a result, grain inventories have reached historical lows. This trend is being driven by demand for grain and processed grain products in Asia – which has risen due to increasing per capita income and higher urbanization levels – along with growing capacities for processing renewable energies based on agricultural commodities in the Western industrial nations. As a result, the agricultural industry will continue to benefit from high demand and stable crop prices. The improved income situation in the agricultural sector resulting from this trend will act to stimulate the markets for agricultural machinery in 2008.

Trends on the Western European markets will vary. Higher grain prices and rising farm-gate prices will improve income for farmers and milk producers and lead to higher demand. However, increased feed costs will squeeze margins, which could stifle capital expenditure. Due to the drought in southern and southeastern Europe, these regions will not be able to fully benefit from the rising trend. On the whole, the markets of Western Europe should remain approximately at 2007 levels.

In Central Europe, higher agricultural yields will effect a positive trend on the agricultural technology markets given that current economic conditions favor the purchase of replacement equipment.

In Eastern Europe, the good export opportunities offered by global grain trading have been slightly diminished by drought-related crop losses. Nevertheless, demand for modern technology to increase the efficiency of agricultural operations remains unabated and will continue to spur agricultural technology markets in 2008.

In North America, farmers' net incomes have continued to improve. Since no negative developments are expected to ensue from the current discussions regarding the new U.S. Farm Bill, and the need for capital expenditure to replace existing equipment remains high, we are predicting a satisfactory market in North America.

In South America, good harvests will lead to further recovery of the agricultural machinery markets assuming prices remain constant; in Argentina, however, the announced increase in export taxes could act to curb spending.

In India, the favorable conditions ensuing from high crop yields after a good monsoon season and a continuation of rapid economic growth will provide additional incentive for agricultural operations to invest. In addition, the markets for agricultural machinery are increasingly impacted by the financial situation in the agricultural industry. The trend towards increasing mechanization is supported by initiatives to strengthen the domestic financial sector and improve agricultural credit conditions.

We expect our business to continue to perform well in 2008. With regard to our product groups, tractors and combine harvesters in particular will make a crucial contribution to CLAAS' continued growth. We also foresee ongoing growth for our other product groups. From a regional perspective, we will work to expand our activities in the growth markets of Eastern Europe and in India in order to promote expansion beyond our traditional markets of Western and Central Europe.

Our efforts to increase efficiency in production and improve cost structures continue to have high priority. The measures we have introduced in the past and are planning for the future will have a sustained impact and lead to further earnings improvement. We will take advantage of the resulting potential to begin funding our own future investments.

Some risks will remain, however, due to the trend in costs for input materials, particularly energy, steel, and other commodities. In all likelihood, this trend will continue in the years to come. We have taken appropriate measures to mitigate the ensuing risks and compensate for any negative impact on earnings.

On the whole, we expect a continuation of stable revenue growth in fiscal 2008. We are also forecasting another increase in earnings.

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CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2007

		2007 € '000	2006 € '000
Net sales	(9)	2,658,919	2,350,923
Cost of sales	(10)	2,017,756	1,782,692
Gross profit on sales		641,163	568,231
Selling expenses	(11)	274,942	255,648
General and administrative expenses	(12)	82,616	79,885
Research and development expenses	(18)	102,821	85,905
Other operating income	(13)	46,806	39,901
Other operating expenses	(14)	47,086	39,297
Operating income		180,504	147,397
Income from investments accounted for using the equity method		4,688	4,148
Income from other investments		702	771
Interest and similar expenses, net		-13,220	-19,000
Other financial result		3,133	-2,608
Financial result	(15)	-4,697	-16,689
Income before taxes		175,807	130,708
Income taxes	(16)	60,987	49,772
Net income		114,820	80,936
thereof			
Net income attributable to the shareholders of CLAAS KGaA mbH		114,844	80,220
Minority interests		-24	716
		2007 in €	2006 in €
Earnings per share	(17)	38.28	26.74

CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2007

		Sept. 30, 2007 € '000	Sept. 30, 2006 € '000
Assets			
Intangible assets	(18)	141,347	145,605
Property, plant and equipment	(19)	257,585	260,749
Investments accounted for using the equity method	(20)	31,070	26,829
Other investments	(20)	1,278	1,259
Deferred tax assets	(16)	14,460	28,330
Non-current tax assets		12,785	-
Other non-current receivables and financial assets	(21)	34,759	39,099
Total non-current assets		493,284	501,871
Inventories	(22)	343,042	339,940
Trade receivables	(21)	199,015	187,606
Current tax assets		4,477	7,315
Other current receivables and financial assets	(21)	138,204	138,748
Securities	(23)	86,608	128,584
Cash and cash equivalents	(24)	511,333	307,367
Total current assets		1,282,679	1,109,560
Total assets		1,775,963	1,611,431
		Sept. 30, 2007 € '000	Sept. 30, 2006 € '000
Equity and liabilities			
Subscribed capital		78,000	78,000
Capital reserves		38,347	38,347
Other reserves		406,462	304,254
Subordinated perpetual securities		78,616	78,616
Equity before minority interests		601,425	499,217
Minority interests		2,992	3,337
Total equity	(25)	604,417	502,554
Non-current financial liabilities	(26)	249,874	265,199
Silent partnership	(26)	22,204	20,599
Deferred tax liabilities	(16)	522	445
Non-current tax liabilities		184	-
Other non-current liabilities	(27)	68,031	62,293
Pension provisions	(28)	163,037	158,071
Other non-current provisions	(29)	37,497	38,797
Total non-current liabilities		541,349	545,404
Current financial liabilities	(26)	74,396	64,901
Trade payables	(27)	119,519	121,005
Current tax liabilities		751	336
Other current liabilities	(27)	114,656	100,133
Income tax provisions	(29)	29,429	21,447
Other current provisions	(29)	291,446	255,651
Total current liabilities		630,197	563,473
Total equity and liabilities		1,775,963	1,611,431

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2007

	2007 € '000	2006 € '000
Net income	114,820	80,936
Amortization of intangible assets and depreciation of property, plant and equipment	101,858	83,590
Impairment of investments	-	140
Change in pension provisions	4,967	5,361
Change in other non-current provisions	-1,282	3,243
Deferred tax income/expenses	6,478	-915
Other non-cash income/expenses	9,424	-934
Cash flow in accordance with DVFA/SG	236,265	171,421
Change in current provisions	47,242	729
Loss/gain from the disposal of property, plant and equipment	319	-30
Change in inventories, receivables and other assets	-33,991	-39,783
Change in trade payables and other liabilities	14,996	18,714
Net cash provided by operating activities (I)	264,831	151,051
Payments for additions to intangible assets and property, plant and equipment (net of capitalized development costs)	-69,988	-49,299
Additions to capitalized development costs	-30,775	-34,380
Proceeds from the disposal of intangible assets and property, plant and equipment	5,764	1,171
Payments for additions to investments	-4,383	-361
Proceeds from the disposal of investments	-	1,330
Payments for additions to borrowings	-178	-136
Proceeds from repayment of borrowings	102	119
Payments for the purchase of securities	-63,487	-66,914
Proceeds from the sale of securities	107,903	177,522
Payments for acquisitions/divestments, net of cash acquired/disposed	790	-42,677
Net cash used for investing activities (II)	-54,252	-13,625
Proceeds from the increase in loans and the issuance of bonds	22,106	38,122
Repayment of bonds and loans	-13,646	-111,304
Repayment of lease liabilities	-883	-780
Proceeds from silent partnership (CMG)	1,605	1,273
Change in partners' loan accounts	3,537	1,664
Payments to minority shareholders	-321	88
Compensation for subordinated perpetual securities	-6,096	-5,971
Dividends paid out	-10,400	-10,400
Net cash used for financing activities (III)	-4,098	-87,308
Net change in cash and cash equivalents (I+II+III)	206,481	50,118
Effect of foreign exchange rate changes on cash and cash equivalents	-2,515	-1,024
Cash and cash equivalents at beginning of year	307,367	258,273
Cash and cash equivalents at end of year	511,333	307,367

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF SEPTEMBER 30, 2007

	Subscribed capital € '000	Capital reserves € '000	Accumulated profit € '000	Other reserves			Subordinated perpetual securities € '000	Equity before minority interests € '000	Minority interests € '000	Total equity € '000
				Currency translation adjustment € '000	Unrealized gains/losses from securities € '000	Derivative financial instruments € '000				
Balance as of October 1, 2005 (prior to adjustment)	78,000	38,347	256,100	-418	2,589	-17,358	78,616	435,876	49,050	484,926
Change in accounting policies			-234					-234		-234
Balance as of October 1, 2005 (after adjustment)	78,000	38,347	255,866	-418	2,589	-17,358	78,616	435,642	49,050	484,692
Net income			80,220					80,220	716	80,936
Changes without impact on profit and loss				-4,297	-1,430	5,578		-149		-149
Total recognized income for the period			80,220	-4,297	-1,430	5,578		80,071	716	80,787
Dividend payments			-10,400					-10,400		-10,400
Compensation for subordinated perpetual securities			-6,096					-6,096		-6,096
Consolidation adjustments/ other changes									-46,429	-46,429
Balance as of September 30, 2006/ October 1, 2006	78,000	38,347	319,590	-4,715	1,159	-11,780	78,616	499,217	3,337	502,554
Net income			114,844					114,844	-24	114,820
Changes without impact on profit and loss				-5,920	-1,209	10,989		3,860		3,860
Total recognized income for the period			114,844	-5,920	-1,209	10,989		118,704	-24	118,680
Dividend payments			-10,400					-10,400		-10,400
Compensation for subordinated perpetual securities			-6,096					-6,096		-6,096
Consolidation adjustments/ other changes									-321	-321
Balance as of September 30, 2007	78,000	38,347	417,938	-10,635	-50	-791	78,616	601,425	2,992	604,417

AFFILIATED AND ASSOCIATED COMPANIES AS OF SEPTEMBER 30, 2007

I. AFFILIATED COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

DOMESTIC COMPANIES

No.	Company		Subscribed capital	Shareholding in %	Owned by company No.
1	CLAAS Kommanditgesellschaft auf Aktien mbH, Harsewinkel	EUR	78,000,000		
2	CLAAS Selbstfahrende Erntemaschinen GmbH, Harsewinkel	EUR	25,600,000	100	1
3	CLAAS Beteiligungsgesellschaft mbH i.L., Harsewinkel	EUR	52,000	100	40
4	CLAAS Saulgau GmbH, Bad Saulgau	EUR	7,700,000	100	1
5	CLAAS Fertigungstechnik GmbH, Beelen	EUR	5,300,000	100	1
6	CLAAS Automation GmbH, Nördlingen	EUR	260,000	100	5
7	BRÖTJE-Automation GmbH, Wiefelstede	EUR	1,030,000	100	5
8	CLAAS Industrietechnik GmbH, Paderborn	EUR	7,700,000	100	1
9	CLAAS Vertriebsgesellschaft mbH, Harsewinkel	EUR	3,100,000	100	1
10	Brandenburger Landtechnik GmbH, Liebethal	EUR	1,000,000	50.6	9
11	Mecklenburger Landtechnik GmbH, Mühlengiez	EUR	1,000,000	100	9
12	CLAAS Württemberg GmbH, Langenau	EUR	800,000	90	9
13	CLAAS Bordesholm GmbH, Bordesholm	EUR	750,000	74.7	9
14	AGROCOM GmbH & Co. Agrarsysteme KG, Bielefeld	EUR	117,600	100	1
15	AGROCOM Verwaltungs GmbH, Bielefeld	EUR	32,150	100	1
16	CLAAS Osteuropa Investitions GmbH, Harsewinkel	EUR	100,000	100	1
17	RENAULT Agriculture GmbH i.L., Rosbach	EUR	511,000	100	23
18	CLAAS Global Sales GmbH, Harsewinkel	EUR	2,000,000	100	1
19	CLAAS Service and Parts GmbH, Harsewinkel	EUR	2,000,000	100	1

FOREIGN COMPANIES

No.	Company		Subscribed capital	Shareholding in %	Owned by company No.
20	CLAAS France Holding S.A.S., Paris, France	EUR	92,409,000	100	1
21	Usines CLAAS France S.A.S., Metz-Woippy, France	EUR	2,000,000	100	20
22	CLAAS France S.A.S., Paris, France	EUR	8,842,043	100	20
23	RENAULT Agriculture S.A.S., Vélizy, France	EUR	70,800,000	80	20
24	CLAAS Réseau Agricole S.A.S., Vélizy, France	EUR	27,400,000	100	23
25	RENAULT Agriculture Ltd., Shipston on Stour, UK	GBP	3,812,000	100	27
26	RENAULT Agriculture & Sonalika International Plc., Port Louis, Mauritius	USD	900,000	60	23
27	CLAAS Holdings Ltd., Saxham, UK	GBP	10,800,000	100	1
28	CLAAS U.K. Ltd., Saxham, UK	GBP	101,100	100	27
29	Southern Harvesters Ltd., Saxham, UK	GBP	200,000	100	28
30	Anglia Harvesters Ltd., Market Harborough, UK	GBP	400,000	100	28

FOREIGN COMPANIES

No.	Company		Subscribed capital	Shareholding	
				in %	Owned by company No.
31	Western Harvesters Ltd., Cheltenham, UK	GBP	281,000	75	28
32	Eastern Harvesters Ltd., Lincolnshire, UK	GBP	440,000	75	28
33	S.I.S. Ltd., Coventry, UK	GBP	45,000	100	5
34	CLAAS Italia S.p.A., Vercelli, Italy	EUR	2,600,000	100	1
35	CLAAS Ibérica S.A., Madrid, Spain	EUR	3,307,500	100	1
36	CLAAS Hungaria Kft., Törökszentmiklos, Hungary	HUF	552,740,000	100	1
37	OOO CLAAS Vostok, Moscow, Russia	RUB	170,000	100	1
38	CLAAS Ukraina DP, Kiev, Ukraine	UAH	30,000	100	19
39	CLAAS Argentina S.A., Sunchales, Argentina	ARS	35,296,570	100	1
40	CLAAS North America Holdings Inc., Omaha, Nebraska, USA	USD	700	100	1
41	CLAAS of America Inc., Omaha, Nebraska, USA	USD	9,800,000	100	40
42	CLAAS Omaha Inc., Omaha, Nebraska, USA	USD	48,000,000	100	40/3
43	CLAAS North America Finance LLC., Omaha, Nebraska, USA	USD	0	100	40
44	Platte River Receivables Inc., Columbus, Indiana, USA	USD	1,500,000	100	40
45	CLAAS India Ltd., Faridabad, India	INR	206,000,000	100	1
46	OOO CLAAS, Krasnodar, Russia	RUB	353,144,130	99	16
47	BRÖTJE-Automation-USA Inc., Omaha, Nebraska, USA	USD	1,000	100	7

OTHER COMPANIES CONSOLIDATED PURSUANT TO SIC-12

No.	Company
48	CHW Fonds, Luxembourg
49	Mercator Funding Ltd., Saint Helier, Jersey

II. SIGNIFICANT INVESTMENTS IN ASSOCIATED COMPANIES

No.	Company		Subscribed capital	Shareholding	
				in %	Owned by company No.
50	CLAAS GUSS GmbH, Bielefeld, Germany	EUR	4,680,000	44.5	1/4
51	CS Parts Logistics GmbH, Bremen, Germany	EUR	1,550,000	50	19
52	Landtechnik-Zentrum Chemnitz GmbH, Hartmannsdorf, Germany	EUR	750,000	40	9
53	Worch und Schütze Landtechnik GmbH, Schora, Germany	EUR	55,000	39	9
54	Landtechnik Steigra GmbH, Steigra, Germany	EUR	615,000	15.1	9
55	CLAAS Traktoren Vertrieb Bayern GmbH, Vohburg, Germany	EUR	700,000	30	9
56	Technik Center Grimma GmbH, Mutzschen, Germany	EUR	350,000	30	9
57	CLAAS Grasdorf GmbH, Grasdorf, Germany	EUR	500,000	40	9
58	CLAAS Finance Ltd., Basingstoke, UK	GBP	3,000,000	49	27
59	CLAAS Financial Services Ltd., Basingstoke, UK	GBP	4,200,000	49	28
60	CLAAS Financial Services S.A.S., Paris, France	EUR	27,966,632	40	1
61	Harvest Machinery Ireland Ltd., Drogheda, Ireland	EUR	126,974	22.7	1
62	G.I.M.A. S.A., Beauvais, France	EUR	8,448,500	50	23

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 | BASIS OF PRESENTATION

The consolidated financial statements of CLAAS KGaA mbH for the fiscal year ending September 30, 2007 were prepared in accordance with the International Financial Reporting Standards (IFRS). All IFRSs/IASs and the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the Standing Interpretations Committee (SIC) required to be applied in fiscal year 2007, as adopted by the EU, have been complied with. The consolidated financial statements are supplemented by the Group management report and additional notes in accordance with Section 315a of the German Commercial Code (HGB). Prior-year figures were determined in accordance with the same principles. The consolidated financial statements have been presented in euros (€). The amounts have been stated in thousands of euros (€ '000) or in millions of euros (€ million).

The income statement was prepared using the cost of sales method of accounting. The balance sheet format makes a distinction between current and non-current assets and liabilities. To improve the clarity of presentation, individual items within the balance sheet and the income statement have been combined insofar as possible and meaningful. These items are analyzed and explained in the notes. Due to changes in accounting policies and in the presentation of the financial statements, certain prior-year amounts have been adjusted.

In accordance with Section 264 (3) and Section 264b of the HGB, the Company is exempt from the duty to publish financial statements in the German Federal Gazette (Bundesanzeiger) and to prepare notes and management reports for the following subsidiaries: AGROCOM GmbH & Co. Agrarsysteme KG, Bielefeld; CLAAS Global Sales GmbH, Harsewinkel; CLAAS Service and Parts GmbH, Harsewinkel; CLAAS Ferti-gungstechnik GmbH, Beelen; CLAAS Industrietechnik GmbH, Paderborn; CLAAS Selbstfahrende Erntemaschinen GmbH, Harsewinkel; CLAAS Vertriebsgesellschaft mbH, Harsewinkel; CLAAS Saulgau GmbH, Bad Saulgau; and CLAAS Automation GmbH, Nördlingen.

The consolidated financial statements were prepared on November 20, 2007 by the Executive Board of CLAAS KGaA mbH. Approval of the consolidated financial statements by the Supervisory Board is planned for December 10, 2007 at the scheduled Supervisory Board meeting.

2 | SCOPE OF CONSOLIDATION

FULLY CONSOLIDATED COMPANIES

Companies consolidated into the Group accounts include CLAAS KGaA mbH and all of its affiliates and the special purpose entities that are required to be included in the consolidated financial statements pursuant to SIC-12. This constitutes a total of 49 companies (previous year: 49 companies), thereof 19 German and 30 foreign companies. As of October 1, 2006, the international sales division, CLAAS Parts Distribution and the customer service organization – formerly managed by CLAAS KGaA mbH in its function as an operating holding company – were split into two legally independent entities. The newly formed company, CLAAS Global Sales GmbH, will handle the previous export regions in the future. CLAAS Service and Parts GmbH will be responsible for customer service and spare part supply. Since the split, CLAAS KGaA mbH has acted as a managing holding company only. CLAAS Finance B.V., Amsterdam, the Netherlands, was deconsolidated in the period under review.

All companies that are directly or indirectly controlled by CLAAS KGaA mbH were consolidated as subsidiaries in accordance with the full consolidation method.

ACQUISITIONS/DIVESTMENTS IN THE FISCAL YEAR

During the past fiscal year, we increased our stake in Mecklenburger Landtechnik GmbH, Mühlengiez, Germany, from 80% to 100% and reduced our stake in CLAAS Grasdorf GmbH, Grasdorf, Germany (both sales companies) from 100% to 40%. CLAAS Grasdorf GmbH was deconsolidated.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Included in the consolidated financial statements are 6 (previous year: 5) associated companies accounted for using the equity method: CLAAS GUSS GmbH, Bielefeld, Germany; CLAAS Finance Ltd., Basingstoke, UK; CLAAS Financial Services Ltd., Basingstoke, UK; CLAAS Financial Services S.A.S., Paris, France; Harvest Machinery Ireland Ltd., Drogheda, Ireland; and G.I.M.A. S.A., Beauvais, France.

CLAAS Financial Services Ltd., Basingstoke, UK was founded in fiscal 2007 within the framework of restructuring end customer financing activities in the United Kingdom.

The following list summarizes the key financial figures of the companies accounted for using the equity method:

	2007 € '000	2006 € '000
Revenues*	349,688	320,289
Income before taxes	16,920	15,278
Non-current assets	117,340	105,376
Current assets	619,689	575,363
Total assets	737,029	680,739
Equity	74,484	66,520
Liabilities	662,545	614,219
Total equity and liabilities	737,029	680,739

* Revenues include income and expenses, net, provided by financing activities of €16.4 million (previous year: €15.1 million).

A list of shareholdings has been attached to this report.

3 | ACCOUNTING POLICIES

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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

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

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

When conducting impairment tests either annually or upon indication of impairment, the carrying amount is compared with the recoverable amount, which represents the higher of the value in use and the fair value less costs to sell. The value in use is based on the present value of future cash flows expected to arise from the continuing use of the relevant asset or the cash-generating unit and from its disposal at the end of its useful life. If the recoverable amount is less than the carrying amount, an impairment loss is recognized in income. Any subsequent increases in value are taken into account by increasing the carrying amount of the asset, except in the case of goodwill impairment. When conducting the impairment test, the value in use is determined on the basis of the management's medium-term forecast data covering a period of five years. The forecast assumptions are adjusted to reflect current circumstances, taking into account reasonable expectations based on macroeconomic trends and historical developments. Cash flow projections are estimated by extrapolation based on the growth rates of the relevant market segment. Depending on the cash-generating unit, the market growth rates are currently between 0.0% and 1.0% (previous year: 0.0% and 1.0%). The value in use is determined on the basis of discount factors ranging between 7.7% and 9.5% (previous year: 6.6% and 9.0%) and corresponding to the risk-adjusted minimum yield on the capital market.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Regular way purchases and sales of financial instruments are recognized as of the settlement date. In accordance with IFRS, financial instruments include primary financial instruments (in the case of CLAAS, subordinated perpetual securities classified as equity instruments as well as other equity investments and securities, receivables and other financial assets, cash and cash equivalents, a silent partnership, bonds and payables) and derivative financial instruments (such as swaps and options).

IAS 39 categorizes primary financial assets as follows: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and financial assets available for sale. Derivative financial instruments are used as hedging instruments and are therefore classified as financial assets at fair value through profit or loss.

Financial instruments are recognized at amortized cost or at fair value. The fair value of a financial instrument in accordance with IFRS is the amount for which the instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction other than a forced transaction, involuntary liquidation or distress sale. 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 prevailing rate of return). Where fair values of financial instruments are not explicitly stated, they differ only insignificantly or not at all from the carrying amounts.

PRIMARY FINANCIAL INSTRUMENTS

Investments and securities Pursuant to IAS 28/IAS 31, investments in associated companies and joint ventures are recognized in the amount of the prorated share in equity ("equity method") provided that the Group has the possibility of exercising significant influence on these companies. Other investments that are

neither measured at fair value through profit or loss nor held to maturity are classified as available-for-sale financial instruments within the meaning of IAS 39 and stated at their fair values, provided that the shares held by CLAAS are listed on a stock exchange or quoted market prices are available. Other investments are carried at cost (less impairment if necessary) if no quoted market price exists.

The securities held by CLAAS are either securities that are held to maturity or securities designated as “available for sale” that are neither measured at fair value through profit or loss nor held to maturity. The securities classified as “held to maturity” are stated at amortized cost. Securities classified as “available for sale” are stated at quoted market prices (where available).

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

Receivables and other financial assets Receivables and other financial assets are recognized at their principal amount. Adequate allowances are made for anticipated default risks. Non-interest-bearing receivables that are not expected to be collected within the normal payment cycle (usually one year) are discounted at the market interest rate in accordance with the maturity of the receivables. CLAAS sells a portion of its trade receivables to third parties, mostly via asset-backed securitization programs. These receivables are carried as assets on the balance sheet provided that the risks and rewards associated with the receivables – particularly credit risks and default risks – are not transferred.

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

Cash and cash equivalents Under IFRS, cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents as reported in the cash flow statement correspond to the same item in the balance sheet.

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The CLAAS Group uses derivative financial instruments such as swaps, forward exchange contracts, interest rate swap options, forward interest rate transactions, caps, and floors for hedging purposes. In accordance with IAS 39, all derivative financial instruments must be reported in the balance sheet at fair value under either assets or liabilities. If hedge effectiveness has been clearly determined and documented, hedge accounting is permitted. In hedge accounting, the recognition of changes in the fair value of a derivative instrument depends on the type of hedge. With cash flow hedges, the effective portion of the change in the fair value of a derivative instrument is reported initially as a component of equity and is not recognized in income until the hedged forecasted transaction is recognized in income. The ineffective portion is recognized immediately in income. With fair value hedges, gains or losses resulting from changes in the fair value of a derivative and its underlying transaction are recognized immediately in income.

Hedge accounting is discontinued if the hedging instrument expires or is sold, terminated, or exercised or the hedge no longer meets the criteria for hedge accounting. In such cases, for cash flow hedges the cumulative

gains or losses on the hedging instrument that were recognized directly in equity remain in equity until the planned transaction is concluded. If a hedged transaction is no longer expected to occur, the associated cumulative gains or losses that were recognized directly in equity are reclassified to the income statement.

INVENTORIES

Inventories are measured at the lower of cost or net realizable value. Raw materials and consumables as well as merchandise are capitalized at average cost. Work in progress and finished goods are capitalized at production-related full cost, including direct materials and labor and any allocable production overheads from indirect materials as well as production-related administrative costs. Borrowing costs pursuant to IAS 23 are not included in the cost of an asset. Inventory risks that result from the reduced likelihood of full utilization, as well as risks arising from an assessment of realizable sale prices, are reflected in value adjustments.

LEASES

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

PENSION OBLIGATIONS

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

CURRENT AND DEFERRED INCOME TAXES

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

REVENUE RECOGNITION

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

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

4 | CONSOLIDATION PRINCIPLES

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

When consolidating the equity of Group companies, the carrying amounts of the subsidiaries are offset against the respective share in equity of the affiliates at the time of acquisition. Residual amounts arising on the assets side are capitalized as goodwill and subjected to an annual impairment test. Any differences arising on the liabilities side are reported as other operating income.

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

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

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

5 | FOREIGN CURRENCY TRANSLATION

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

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

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

	Average rate		Closing rate	
	2007 in €	2006 in €	2007 in €	2006 in €
1 US dollar	0.75	0.81	0.70	0.79
1 Pound sterling	1.48	1.46	1.43	1.48
1 Ukrainian hryvnia	0.15	0.16	0.14	0.16
100 Hungarian forint	0.40	0.38	0.40	0.37
100 Indian rupee	1.76	1.78	1.77	1.72
100 Russian ruble	2.90	2.94	2.86	2.99

6 | 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 there may be a possibility of such proceedings being instituted or asserted in the future (for instance with respect to patents, product liability, or competition). Although the outcome of individual proceedings cannot be predicted with certainty given the unforeseeable nature of events associated with legal disputes, the current assessment is that no significant adverse impact on the Group's results of operations will occur beyond the risks reflected in liabilities and provisions in the financial statements.

7 | USE OF ESTIMATES AND MANAGEMENT JUDGMENTS

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

At the time the consolidated financial statements were prepared, the assumptions and estimates were not subject to significant risks. Thus from a current perspective, no major adjustments to the carrying amounts of the assets and liabilities disclosed on the balance sheet are to be expected for the following year.

8 | NEW FINANCIAL REPORTING STANDARDS

The following revised and supplemented or newly published IFRSs – which are relevant for CLAAS to a certain extent only – were required to be applied for the first time in the past fiscal year:

- IAS 1 (amended in 2005) Presentation of Financial Statements
- IAS 19 (amended in 2004) Employee Benefits
- IAS 21 (amended in 2005) The Effects of Changes in Foreign Exchange Rates
- IAS 39 (amended in 2005) Financial Instruments: Recognition and Measurement
- IFRIC 4 Determining whether an Arrangement contains a Lease
- IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- IFRIC 7 Applying the Restatement Approach under IAS 29 (Financial Reporting in Hyperinflationary Economies)
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives

Previous year figures were adjusted accordingly as a result of the amendments to IAS 39 and first-time application of IFRIC 4.

AMENDMENTS TO IAS 39

In August 2005, the IASB published a supplement to IAS 39 regarding financial guarantee contracts. Accordingly, financial guarantee contracts that were not previously regarded as insurance contracts by the issuer shall be measured at fair value on initial recognition. After initial recognition, an issuer of such a contract shall measure it at the higher of the net amount of the guarantee premiums received and deferred but not yet collected or the amount determined in accordance with IAS 37. The amendments are effective for fiscal years beginning on or after January 1, 2006 and were first applied by CLAAS in the fiscal year 2007.

FIRST-TIME APPLICATION OF IFRIC 4

IFRIC 4 was issued by the IASB in December 2004. The Interpretation requires a determination to be made as to whether an arrangement is, or contains, a lease based on the substance of the arrangement, i.e., whether fulfillment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset. IFRIC 4 is effective for fiscal years beginning on or after January 1, 2006 and was first applied by CLAAS in the fiscal year 2007. This resulted in the retroactive recognition of a finance lease for the use of a goods distribution center based on an existing service contract.

ADJUSTMENTS TO THE CONSOLIDATED INCOME STATEMENT

In addition to the adjustments described above, we have made the following adjustments to the income statement resulting primarily from the reclassification of outgoing freight expenses from selling expenses to cost of sales as well as reclassifications within the financial result:

	2006 Published amount € '000	Adjustment € '000	2006 Adjusted amount € '000
Net sales	2,350,981	-58	2,350,923
Cost of sales	1,731,048	51,644	1,782,692
Selling expenses	302,218	-46,570	255,648
General and administrative expenses	82,403	-2,518	79,885
Research and development expenses	85,005	900	85,905
Other operating income	40,749	-848	39,901
Other operating expenses	44,539	-5,242	39,297
Interest and similar expenses, net	-14,505	-4,495	-19,000
Other financial result	-6,228	3,620	-2,608
Income before taxes	130,703	5	130,708
Income taxes	49,770	2	49,772
Net income	80,933	3	80,936

ADJUSTMENTS TO THE CONSOLIDATED BALANCE SHEET

The figures in the consolidated balance sheet changed as follows due to retrospective application of IAS 39 and IFRIC 4 as of September 30, 2006:

	Sept. 30, 2006 Published amount in € '000	Adjustment in € '000	Sept. 30, 2006 Adjusted amount in € '000
Assets			
Property, plant and equipment	247,691	13,058	260,749
Deferred tax assets	28,189	141	28,330
Trade receivables	187,664	-58	187,606
Other current receivables and financial assets	138,690	58	138,748
Equity and liabilities			
Other reserves	304,485	-231	304,254
Non-current financial liabilities	252,383	12,816	265,199
Current financial liabilities	64,345	556	64,901
Other current liabilities	100,075	58	100,133

In addition, the IASB has published the following standards and interpretations that CLAAS will not apply before they take effect:

- IFRS 7 Financial Instruments: Disclosures
- IFRS 8 Operating Segments
- IFRIC 10 Interim Financial Reporting and Impairment
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements

IFRS 7 and the related changes to IAS 1 are required to be applied to reporting periods beginning on or after January 1, 2007. This requirement will lead to greater detail in disclosures on financial instruments. IFRS 8 resulted from the convergence project with the FASB and represents a new approach to segment reporting. IFRS 8 must be applied to periods beginning on or after January 1, 2009. We do not anticipate any significant changes due to these amendments. Both IFRS 7 and IFRS 8 may be applied to earlier periods, though CLAAS will not make use of this option. With respect to future application of the interpretations, we do not anticipate any material significance for the consolidated financial statements of CLAAS, given that the interpretations are either not relevant at present or they are not expected to have a significant impact on financial performance and financial position.

9 | NET SALES

Net sales also include sales from long-term construction contracts, which have been accounted for in accordance with the percentage of completion (POC) method. The amount to be capitalized from long-term construction contracts that cannot yet be billed is reported under receivables and recognized as sales. Sales accounted for using the POC method amounted to €137.3 million (previous year: €148.6 million) in the reporting period.

10 | COST OF SALES

Outgoing freight in the amount of €54.8 million (previous year: €49.7 million) was reported under cost of sales for the first time in fiscal 2007. Previously, outgoing freight was reported under selling costs. Prior-year figures have been adjusted accordingly.

11 | SELLING EXPENSES

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

12 | GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include personnel expenses and materials costs of administration including depreciation. As CLAAS regards the administrative expenses of its sales companies as selling expenses, these costs are not included in general and administrative expenses but are allocated to selling expenses.

13 | OTHER OPERATING INCOME

Other operating income is composed of the following:

	2007 € '000	2006 € '000
Income from the release of provisions	22,396	21,277
Income from the release of discounts and allowances for bad debts	2,704	1,615
Gains on disposal of intangible assets and property, plant and equipment	462	943
Rental and lease income	402	408
Miscellaneous income	20,842	15,658
Total	46,806	39,901

14 | OTHER OPERATING EXPENSES

	2007 € '000	2006 € '000
Goodwill impairment	18,176	10,515
Losses on disposal of intangible assets and property, plant and equipment	782	1,490
Allowances for bad debts	2,256	1,454
Miscellaneous expenses	25,872	25,838
Total	47,086	39,297

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

15 | FINANCIAL RESULT

The financial result is made up of "income from investments," "interest and similar expenses, net," and "other financial result."

INCOME FROM INVESTMENTS

Income from investments comprises income from both investments accounted for using the equity method and other investments. These two items are reported separately under the financial result.

Income from investments accounted for using the equity method relates to earnings contributions from investments in associated companies.

INCOME FROM INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2007 € '000	2006 € '000
Income from investments accounted for using the equity method	4,688	4,148
Total	4,688	4,148

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

INCOME FROM OTHER INVESTMENTS

	2007 € '000	2006 € '000
Income from investments	702	333
Income from the disposal of investments	-	578
Impairment of investments	-	-140
Total	702	771

INTEREST AND SIMILAR EXPENSES, NET

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

	2007 € '000	2006 € '000
Interest expense	-30,947	-28,572
thereof: interest expense from unwinding the discount on non-current provisions	(-292)	(-268)
thereof: debt discount expense	-	(-35)
thereof: interest on finance lease payments	(-900)	(-956)
Profits transferred under partial profit transfer agreements (CMG)	-3,112	-3,539
Subtotal interest and similar expenses	-34,059	-32,111
Interest income	19,415	12,067
Income from other securities and loans	1,424	1,044
Total interest and similar expenses, net	-13,220	-19,000

Interest income and expense primarily reflect financial instruments not measured at fair value. Profits transferred under partial profit transfer agreements (CMG) reflect payments based on Group net income with respect to the silent partnership held by CLAAS Mitarbeiterbeteiligungs-Gesellschaft mbH (CMG).

OTHER FINANCIAL RESULT

	2007 € '000	2006 € '000
Miscellaneous financial expense	-4,189	-2,828
Miscellaneous financial income	265	-
Foreign exchange gains and losses	7,057	220
Total other financial result	3,133	-2,608
Financial result	-4,697	-16,689

In fiscal 2007, an impairment of €0.8 million was recognized for financial assets (previous year: €0.0 million). The impairment loss was reported under "miscellaneous financial expense."

16 | INCOME TAXES

Income taxes comprise current taxes and deferred taxes.

CURRENT TAXES

	2007 € '000	2006 € '000
Domestic		
Corporate income tax/solidarity surcharge	16,735	27,864
Municipal trade tax	20,175	17,483
Subtotal	36,910	45,347
Foreign	17,599	6,821
Total current taxes	54,509	52,168

DEFERRED TAXES

	2007 € '000	2006 € '000
Domestic	5,278	5,192
Foreign	1,200	-7,588
Total deferred taxes	6,478	-2,396
Total income taxes	60,987	49,772

A tax rate of 29% (previous year: 38%) was assumed for temporary differences in the calculation of deferred taxes for domestic companies. The decrease in the tax rate from the previous year resulted from a reduction in the corporate income tax rate based on the 2008 corporate tax reforms. Deferred taxes result from temporary differences in the following balance sheet accounts:

	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000
Deferred tax assets		
Property, plant and equipment	6,184	5,157
Inventories	46,751	52,508
Finance leases	3,982	5,292
Provisions	43,824	47,845
Loss carryforwards	4,150	7,320
Other	11,575	20,354
Subtotal	116,466	138,476
Valuation allowance	-9,356	-10,417
Subtotal	107,110	128,059
Deferred tax liabilities		
Intangible assets	28,311	31,179
POC receivables	9,857	15,309
Property, plant and equipment	14,797	15,501
Other	40,207	38,185
Subtotal	93,172	100,174
Total deferred tax assets, net	13,938	27,885

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

	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000
Deferred tax assets	14,460	28,330
Deferred tax liabilities	522	445
Total deferred tax assets, net	13,938	27,885

Deferred tax assets and liabilities, which are recognized directly in equity, amounted to €0.1 million on the reporting date (previous year: €6.2 million). No deferred tax liabilities were recognized for temporary differences related to investments in subsidiaries.

The following table reconciles the anticipated income tax expense for the previous year and the year under review with the expenses finally recognized. The expected tax charge is determined by multiplying the Group tax rate by income before taxes. In fiscal 2007, the applicable tax rate was 38.0% (previous year: 38.0%) and consisted of the German domestic corporate income tax, the solidarity surcharge and the municipal trade tax.

	2007 € '000	2006 € '000
Current taxes	54,509	52,168
Deferred taxes	6,478	-2,396
Income taxes	60,987	49,772
Income before taxes	175,807	130,708
Theoretical tax expense of 38% (previous year: 38%)	66,807	49,669
Difference in foreign tax rates	-7,977	-6,644
Tax effects on		
payment of taxes for previous years	28	404
goodwill impairment from business combinations	6,907	3,996
non tax-deductible expenses	1,732	2,128
associated companies accounted for using the equity method	-1,389	-1,040
revaluation of deferred taxes based on future tax rates	3,640	98
recognition of corporation tax credits	-14,406	-
other consolidation effects	5,066	2,869
miscellaneous items	579	-1,708
Effective tax charge	60,987	49,772
Effective tax rate in %	34.7	38.1

The tax loss carryforwards at Group level in the amount of €12.5 million (previous year: €21.3 million) may be carried forward until fiscal 2010 or later. Loss carryforwards of €12.5 million (previous year: €12.5 million) were assessed as non-realizable. Due to lack of recoverability, a valuation allowance has been created for €4.2 million (previous year: €4.3 million) of deferred tax assets on loss carryforwards and €5.2 million (previous year: €6.1 million) of other deferred tax assets. The loss carryforwards relate to foreign companies.

17 | EARNINGS AND DIVIDENDS PER SHARE

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

		2007	2006
Net income attributable to the shareholders of CLAAS KGaA mbH	(€ '000)	114,844	80,220
Number of shares as of September 30	(in thousands)	3,000	3,000
Earnings per share	(€)	38.28	26.74
Dividends per share	(€)	3.47	3.47

The proposed final dividend for fiscal year 2007 is €3.47 per share.

18 | INTANGIBLE ASSETS

	Concessions, industrial and similar rights and assets, and licenses in such rights € '000	Goodwill € '000	Payments made on account € '000	Capitalized development costs € '000	Total € '000
Historical cost as of October 1, 2005	23,401	62,754	-	135,068	221,223
Currency translation	-19	-	-	-27	-46
Changes in scope of consolidation	8,862	10,897	-	-	19,759
Additions	3,994	-	-	34,380	38,374
Disposals	2,271	44	-	-	2,315
Reclassifications	197	-11	-	-	186
Balance as of September 30, 2006	34,164	73,596	-	169,421	277,181
Currency translation	24	-	-	10	34
Changes in scope of consolidation	150	-	-	-	150
Additions	8,615	-	3,231	30,775	42,621
Disposals	623	4,075	-	276	4,974
Reclassifications	698	-	850	-42	1,506
Balance as of September 30, 2007	43,028	69,521	4,081	199,888	316,518
Amortization/impairment as of October 1, 2005	16,053	17,416	-	64,700	98,169
Currency translation	-15	-	-	-22	-37
Changes in scope of consolidation	-28	-	-	-	-28
Additions (amortization)	4,597	-	-	13,063	17,660
Additions (impairment)	-	10,515	-	7,008	17,523
Write-ups	-	-	-	43	43
Disposals	1,619	44	-	-	1,663
Reclassifications	-5	-	-	-	-5
Balance as of September 30, 2006	18,983	27,887	-	84,706	131,576
Currency translation	18	-	-	8	26
Changes in scope of consolidation	30	-	-	-	30
Additions (amortization)	5,571	-	-	19,312	24,883
Additions (impairment)	271	18,176	-	4,661	23,108
Disposals	273	4,075	-	276	4,624
Reclassifications	172	-	-	-	172
Balance as of September 30, 2007	24,772	41,988	-	108,411	175,171
Net carrying amount as of September 30, 2006	15,181	45,709	-	84,715	145,605
Net carrying amount as of September 30, 2007	18,256	27,533	4,081	91,477	141,347

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

The additions to intangible assets in the amount of €42.6 million primarily resulted from capitalized development costs. The proportion of capitalized development costs to total research and development costs (before capitalization) decreased from 34.3% to 28.1%. Despite the lower capitalization rate, the amount of

capitalized development costs increased to €91.5 million (previous year: €84.7 million). In contrast, research costs, amortization of capitalized development costs, and development costs that cannot be capitalized are expensed as incurred in the income statement under research and development expenses. In the year under review, research and development expenses amounted to €102.8 million (previous year: €85.9 million).

DEVELOPMENT COSTS

	2007 € '000	2006 € '000	%
Research and development costs (total)	109,623	100,257	+9.3
thereof: Capitalized development costs	30,775	34,380	-10.5
Amortization of capitalized development costs	23,973	20,028	+19.7
Research and development expenses recognized in the income statement	102,821	85,905	+19.7
R&D capitalization rate (in %)*	28.1	34.3	

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

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

The existing goodwills were subjected to an annual impairment test in the fiscal year. This led to total impairment losses on the goodwills of the individual cash-generating units in the amount of €18.2 million (previous year: €10.5 million). The impairment loss, which was recognized in the income statement, is allocable to the Agricultural Equipment and Production Technology segments and was reported as other operating expenses.

For development costs, impairment tests are performed on a case-by-case basis, i.e. when an indication of impairment exists. In some cases, the required impairment test led to impairment losses totaling €4.7 million (previous year: €7.0 million). The impairment relates to development projects in the Agricultural Equipment segment. The corresponding impairment losses were recognized in the income statement as research and development expenses.

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

19 | PROPERTY, PLANT AND EQUIPMENT

Total depreciation/impairment of €54.2 million (previous year: €48.5 million) was recorded on property, plant and equipment in fiscal year 2007, thereof €7.8 million (previous year: €5.5 million) as a result of impairment.

For property, plant and equipment, impairment tests are performed on a case-by-case basis, i.e. when an indication of impairment exists. Impairment losses on buildings in the Agricultural Equipment segment amounted to €2.0 million (previous year: €5.0 million), impairment losses of technical equipment and machinery €1.8 million (previous year: €0.0 million), and other plant, operating and office equipment €0.2 million (previous year: €0.0 million). The impairment test for technical equipment and machinery in the Production Technology segment led to an impairment loss of €3.5 million (previous year: €0.5 million), while other equipment, operating and office equipment revealed an impairment loss of €0.3 million (previous year: €0.0 million). These impairment losses were recognized in the income statement under cost of sales.

The net carrying amounts attributable to finance leases relate primarily to land and buildings classified as finance leases due to existing purchase options.

The Group's credit lines are secured by mortgages. The carrying amount of secured assets equals €101.5 million (previous year: €99.1 million).

As of September 30, 2007, contractual obligations to purchase items of property, plant and equipment amounted to €9.5 million (previous year: €8.4 million).

PROPERTY, PLANT AND EQUIPMENT

	Land, land rights and buildings including buildings on third-party land € '000	Technical equipment and machinery € '000	Other equipment, operating and office equipment € '000	Payments on account and assets under construction € '000	Finance leases € '000	Total € '000
Historical cost as of October 1, 2005	187,750	270,461	159,727	12,069	20,611	650,618
Currency translation	-1,203	-1,048	-388	127	-	-2,512
Changes in scope of consolidation	9,560	-	-422	-	-	9,138
Additions	3,934	12,821	12,398	16,571	185	45,909
Disposals	673	13,502	7,843	155	1,449	23,622
Reclassifications	5,073	2,014	3,610	-10,883	-	-186
Balance as of September 30, 2006	204,441	270,746	167,082	17,729	19,347	679,345
Currency translation	-1,314	92	-322	36	-	-1,508
Changes in scope of consolidation	-1	-	-429	-	-	-430
Additions	5,178	22,480	14,591	16,172	376	58,797
Disposals	6,126	16,792	6,829	16	849	30,612
Reclassifications	4,056	19,638	-10,589	-15,288	-	-2,183
Balance as of September 30, 2007	206,234	296,164	163,504	18,633	18,874	703,409
Depreciation/impairment as of October 1, 2005	68,365	197,877	121,430	-	5,542	393,214
Currency translation	-199	-491	-238	-	-	-928
Changes in scope of consolidation	-	-	-421	-	-	-421
Additions (depreciation)	6,312	23,070	12,746	-	848	42,976
Additions (impairment)	5,013	500	-	-	-	5,513
Write-ups	13	26	-	-	-	39
Disposals	624	13,216	7,267	-	617	21,724
Reclassifications	-	8	-3	-	-	5
Balance as of September 30, 2006	78,854	207,722	126,247	-	5,773	418,596
Currency translation	-797	-75	-186	-	-	-1,058
Changes in scope of consolidation	-	-	-355	-	-	-355
Additions (depreciation)	6,452	25,646	13,534	-	758	46,390
Additions (impairment)	2,000	5,341	461	-	-	7,802
Disposals	1,677	15,882	6,324	-	819	24,702
Reclassifications	606	9,265	-10,720	-	-	-849
Balance as of September 30, 2007	85,438	232,017	122,657	-	5,712	445,824
Net carrying amount as of September 30, 2006	125,587	63,024	40,835	17,729	13,574	260,749
Net carrying amount as of September 30, 2007	120,796	64,147	40,847	18,633	13,162	257,585

20 | INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND OTHER INVESTMENTS

	Investments accounted for using the equity method € '000	Other investments € '000	Total € '000
Historical cost as of October 1, 2005	27,861	1,904	29,765
Currency translation	55	-	55
Additions	5,827	112	5,939
Disposals	6,326	752	7,078
Balance as of September 30, 2006	27,417	1,264	28,681
Currency translation	-126	-13	-139
Changes in scope of consolidation	200	-	200
Additions	9,936	32	9,968
Disposals	5,769	-	5,769
Balance as of September 30, 2007	31,658	1,283	32,941
Impairment as of October 1, 2005	448	5	453
Additions	140	-	140
Balance as of September 30, 2006	588	5	593
Balance as of September 30, 2007	588	5	593
Net carrying amount as of September 30, 2006	26,829	1,259	28,088
Net carrying amount as of September 30, 2007	31,070	1,278	32,348

Additions to investments accounted for using the equity method relate to associated companies and also include their proportionate net income. Dividends received by associated companies are presented in the consolidated financial statements as disposals.

21 | TRADE RECEIVABLES AND OTHER ACCOUNTS RECEIVABLE AND FINANCIAL ASSETS

TRADE RECEIVABLES

The fair value of trade receivables is in principle identical to their carrying amount. In the year under review, this was €199.0 million (previous year: €187.6 million). There is no substantial risk of default.

The average credit term for goods sold is 43 days. Generally, no interest is charged for the time to maturity. Afterwards, up to 11.19% p.a. is charged on any overdue amounts.

OTHER CURRENT AND NON-CURRENT RECEIVABLES AND FINANCIAL ASSETS

Other receivables and financial assets are analyzed as follows:

	Sept. 30, 2007			Sept. 30, 2006		
	Due		Total Sept. 30, 2007 € '000	Due		Total Sept. 30, 2006 € '000
	within 1 year € '000	after 1 year € '000		within 1 year € '000	after 1 year € '000	
Non-current securities	-	32,754	32,754	-	37,955	37,955
Other borrowings	-	719	719	-	644	644
Receivables from investments	970	-	970	8,682	-	8,682
POC receivables	33,991	-	33,991	40,287	-	40,287
Derivatives	10,526	123	10,649	2,040	35	2,075
Prepaid expenses	6,511	-	6,511	5,352	-	5,352
Other assets	86,206	1,163	87,369	82,387	465	82,852
Total	138,204	34,759	172,963	138,748	39,099	177,847

The fair value of other receivables and financial assets is in principle identical to their carrying amount. In the year under review, this was €173.0 million (previous year: €177.8 million).

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

	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000
Contract costs incurred	113,207	137,027
Recognized profits less recognized losses	9,418	694
Gross amount due from customers for contract work	122,625	137,721
Payments received on account	-88,634	-97,434
POC receivables	33,991	40,287

22 | INVENTORIES

Inventories are composed of the following:

	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000
Raw materials and consumables	77,799	68,031
Work in progress	43,902	49,566
Finished goods and merchandise	294,854	272,941
Payments made on account	6,192	6,177
Payments received on account	-79,705	-56,775
Total	343,042	339,940

Materials costs of €1,536.9 million (previous year: €1,458.8 million) were recognized in the income statement as cost of sales. Impairment of inventories in the amount of €0.6 million (previous year: €0.5 million) was recognized in income. There were no write-ups (previous year: €0.2 million) offset against these impairment losses.

23 | SECURITIES

The current securities held by CLAAS are classified as either “held to maturity” or “available for sale” (securities that are neither part of the trading portfolio nor held to maturity).

	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000
Available-for-sale securities	86,021	128,289
Held-to-maturity securities	587	295
Total	86,608	128,584

Securities classified as “available for sale” are stated at quoted market prices (where available). Unrealized gains in the amount of €0.1 million (previous year: €1.2 million) from available-for-sale securities are excluded from earnings and reported as a separate component of equity after taking into account the deferred taxes. In fiscal 2007, available-for-sale securities with a notional amount of €48.0 million (previous year: €151.9 million) were sold. This led to a transfer of changes in market value equaling €0.1 million (previous year: €-0.6 million) from equity to the income statement. Securities designated as “held to maturity” are reported at amortized cost, which approximately corresponds to fair value. The amortized cost of held-to-maturity securities corresponds to the original acquisition cost.

24 | CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed of checks, cash on hand, and bank balances as well as money market funds that fulfill the strict criteria for classification as cash equivalents.

	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000
Cash and cash equivalents	511,333	307,367
Total	511,333	307,367

The fair values of these assets are in principle identical to their carrying amounts. Cash and cash equivalents include proceeds from trade receivables sold under the ABS program in the amount of €37.6 million (previous year: €26.2 million) that are not freely disposable and are to be transferred to other contracting parties (cash held in trust).

25 | EQUITY/CHANGES IN EQUITY

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

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

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

The statement of changes in equity is presented on page 55 of this report.

26 | FINANCIAL LIABILITIES

Current and non-current financial liabilities are broken down as follows:

	Sept. 30, 2007			Sept. 30, 2006		
	Due		Total Sept. 30, 2007 € '000	Due		Total Sept. 30, 2006 € '000
	within 1 year € '000	after 1 year € '000		within 1 year € '000	after 1 year € '000	
Bond	–	140,974	140,974	–	157,866	157,866
Liabilities to insurance companies	1,550	3,000	4,550	1,756	4,500	6,256
Liabilities to banks	49,620	34,960	84,580	41,753	36,344	78,097
Shareholder loans	22,429	26,980	49,409	20,574	23,443	44,017
Liabilities arising from present ownership interests	–	31,313	31,313	–	29,884	29,884
Lease payables	797	12,647	13,444	818	13,162	13,980
Total	74,396	249,874	324,270	64,901	265,199	330,100

“Bond” refers to a private placement in December 2002 in the amount of USD 200.0 million.

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

The call and put options for the remaining 20% of the shares in RENAULT Agriculture may not be exercised before January 1, 2010. In terms of economic benefits, these shares represent a present ownership interest, meaning that they are reported at market value under liabilities.

The market values and principal amounts of the bond and the loans granted by banks and insurance companies are as follows:

	Sept. 30, 2007		Sept. 30, 2006	
	Principal amount € million	Market value € million	Principal amount € million	Market value € million
Bond	141.0	148.8	157.9	156.5
Loans from banks and insurance companies (including difference in market value)	26.9	27.7	34.5	36.0
Loans from banks and insurance companies (not including difference in market value)	62.2	62.2	49.8	49.8
Total	230.1	238.7	242.2	242.3

The bond (maturing between 2010 and 2014) carries interest rates of 5.76% p.a., while the loans from banks and insurance companies have interest rates of 1.0% to 6.0% p.a. and will mature between 2007 and 2013.

Liabilities to insurance companies in the amount of €4.6 million (previous year: €6.3 million) and liabilities to banks in the amount of €12.7 million (previous year: €24.5 million) are secured by real estate liens. In addition, the CLAAS Group has other collateral assignments for liabilities to banks in the amount of €33.0 million (previous year: €29.4 million).

SILENT PARTNERSHIP

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

In return for its subordinated capital contribution, CMG receives compensation, that is based on the performance of the CLAAS Group. CMG also shares in Group losses. A total of €2.3 million of the silent partnership can be terminated as of September 30, 2008; additional termination rights of €5.3 million apply between 2009 and 2012.

27 | TRADE PAYABLES AND OTHER LIABILITIES

TRADE PAYABLES

The fair value of trade payables is in principle identical to their carrying amount. In the year under review, this was €119.5 million (previous year: €121.0 million).

OTHER CURRENT AND NON-CURRENT LIABILITIES

	Sept. 30, 2007			Sept. 30, 2006		
	Due		Total	Due		Total
	within 1 year € '000	after 1 year € '000	Sept. 30, 2007 € '000	within 1 year € '000	after 1 year € '000	Sept. 30, 2006 € '000
Liabilities from bills of exchange accepted and drawn	23,473	-	23,473	31,299	-	31,299
Payments received on account	4,304	-	4,304	1,957	-	1,957
Liabilities to investments	7,379	-	7,379	2,786	-	2,786
Derivatives	1,004	66,773	67,777	2,855	60,808	63,663
Other liabilities	78,496	1,258	79,754	61,236	1,485	62,721
Total	114,656	68,031	182,687	100,133	62,293	162,426

Other liabilities include financial guarantees in the amount of €0.1 million (previous year: €0.1 million). The maximum risk in the event of utilization amounts to €9.8 million (previous year: €7.3 million). The fair value was calculated using the "expected value" method, taking into account credit risk reductions (liquidation proceeds) and risks that could arise on the basis of default probabilities ranging from 1% to 5%.

28 | PENSION PROVISIONS AND SIMILAR OBLIGATIONS

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

Retirement benefits for persons employed in Germany include both defined benefit pension plans and defined contribution pension plans. Expenses for these plans amounted to €0.1 million in fiscal 2007 (previous year: €0.0 million). For employees in the U.S., retirement benefits are provided on the basis of contributions to pension funds. After paying these contributions, CLAAS has no further benefit obligations. The sum of the defined contribution pension expenses amounted to €0.3 million in fiscal 2007 (previous year: € 0.3 million).

Under the defined benefit pension plans implemented at CLAAS, the Company undertakes to comply with its pension obligations towards active and former employees. The pension provision that covers benefit obligations under defined benefit plans also includes pension fund obligations and is reduced by the amount of the fund assets. Fund surpluses, if any, are capitalized as other assets, while fund deficits are shown as a liability under pension provisions. Pension provisions are recorded for obligations from vested rights and current benefits on behalf of eligible active and former employees and their surviving dependants. Obligations relate primarily to retirement pensions, which are paid in part as basic and in part as supplementary benefits. Pension obligations are normally based on the employees' length of service and remuneration levels.

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

In the year under review, calculations were based on a discount rate of 5.15% (previous year: 4.80%), future salary increases of 3.0% (previous year: 3.0%) and pension increases of 1.5% (previous year: 1.5%). These assumptions relate to employees working in Germany, for whom the predominant part of the pension obligations exist. Different country-specific assumptions must be used for employees engaged in other countries.

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

Pension obligations recognized in the balance sheet changed as follows:

	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000
Present value of funded benefit obligations	44,375	48,272
less fair value of plan assets	-48,976	-43,962
Funded status of funded benefit obligations	-4,601	4,310
Present value of unfunded benefit obligations	160,835	162,330
Unrecognized past service (cost)/return	2,981	5,225
Unrecognized actuarial (losses)/gains	3,820	-13,795
Unrecognized amount due to asset ceiling as defined in IAS 19	2	1
Net pension liability recognized in the balance sheet	163,037	158,071
thereof: provisions for pensions	163,037	158,071
thereof: other assets	-	-

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

	2007 € '000	2006 € '000
Benefit obligations as of October 1	210,602	199,032
Current service cost	7,128	6,985
Interest cost	10,154	9,595
Past service cost/(return)	1,825	-
Actuarial losses/(gains)	-14,230	706
Losses/(gains) from plan curtailments	-	-201
Actual pension payments	-9,439	-10,005
Currency translation	-1,225	337
Other	395	4,153
Benefit obligations as of September 30	205,210	210,602

In the following fiscal year, pension payments of €8.1 million are anticipated.

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

	Fiscal year	
	2007 € '000	2006 € '000
Fair value of plan assets as of October 1	43,962	38,423
Expected return/(loss) on plan assets	3,079	2,637
Actuarial (losses)/gains	3,414	970
Employer contributions	915	886
Employee contributions	457	443
Actual pension payments	-1,222	-1,286
Currency translation	-1,441	309
Other	-188	1,580
Fair value of plan assets as of September 30	48,976	43,962

In fiscal 2008, the employer contribution to plan assets is expected to amount to €0.9 million.

Plan assets are composed of the following:

	Sept. 30, 2007 %	Sept. 30, 2006 %
Equities	69.5	73.1
Bonds	15.6	17.9
Real property*	–	2.5
Cash and cash equivalents	9.9	0.4
Other	5.0	6.1

*In fiscal 2006, owner-occupied property accounted for €1.1 million.

The weighted long-term return on investment of the funds is expected to amount to 7.2% (previous year: 7.2%) and is primarily attributable to the funded plan in the UK. The return on plan assets is calculated separately depending on investment category. For the equity portfolio, the current dividend yield of the FTSE All Share Index plus the inflation rate and the long-term real dividend growth rate is used (8.0%). For the bond portfolio, return targets are based on a discount factor amounting to 5.0%. This factor is established by using an index of corporate bonds quoted in pounds sterling with AA ratings and terms of at least 15 years. For cash and cash equivalents, a short-term money market interest rate is used (5.3%).

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

	2007 € '000	2006 € '000
Current service cost	7,128	6,985
Interest cost	10,154	9,595
Recognized past service cost/(return)	-418	-418
Recognized actuarial losses/(gains)	221	135
Losses/(gains) from plan curtailments	–	-201
Expected return on plan assets	-3,079	-2,637
Other pension expenses	1	228
Pension expense	14,007	13,687

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

	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000
Provisions for unfunded benefit obligations	159,434	154,827
Deficit related to funded benefit obligations	3,603	3,244
Other financial assets	–	–
Net pension liability recognized in the balance sheet	163,037	158,071

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

	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000
Present value of benefit obligations	205,210	210,602
thereof: effects of differences	(-1,636)	(-618)
Fair value of plan assets	48,976	43,962
thereof: effects of differences	(3,466)	(932)
Funded status	156,234	166,640

29 | INCOME TAX PROVISIONS AND OTHER PROVISIONS

Income tax provisions and other provisions changed as follows in fiscal 2007:

	Income tax provisions € '000	Other provisions			Total other provisions € '000	Total € '000
		Employee benefits € '000	Obligations arising from sales € '000	Miscellaneous € '000		
Balance as of October 1, 2006	21,447	108,902	152,360	33,186	294,448	315,895
Changes in scope of consolidation	-1,437	-278	-45	-52	-375	-1,812
Utilization	10,538	77,789	100,077	8,314	186,180	196,718
Reversals	1,199	6,097	24,389	4,718	35,204	36,403
Additions	21,510	94,137	148,480	15,859	258,476	279,986
Interest	-	-	198	94	292	292
Currency translation	-354	-218	-2,246	-87	-2,551	-2,905
Other changes	-	-	-127	164	37	37
Balance as of September 30, 2007	29,429	118,657	174,154	36,132	328,943	358,372
thereof: non-current	-	20,883	13,989	2,625	37,497	37,497
thereof: current	29,429	97,774	160,165	33,507	291,446	320,875

A total of €12.8 million (previous year: €15.8 million) of the reversals is reported as functional costs.

Employee benefits mainly comprise provisions for part-time retirement programs, outstanding vacation time, anniversaries, and annual bonuses. Obligations arising from sales primarily relate to provisions for warranty claims, sales bonuses and rebates, and other sales-generating measures. The provision requirement for special inspections is calculated centrally in accordance with uniform principles. The computation takes into account parameters such as assembly programs, unit numbers, and costs of materials and assembly per machine. Provisions for warranties are calculated on historical basis as a percentage of sales.

30 | CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

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

	Finance leases Principal amount € '000	Operating leases Principal amount € '000
Minimum lease payments		
due within 1 year	1,640	17,045
due within 1 to 5 years	6,238	20,370
due after 5 years	12,360	2,310
Total	20,238	39,725
Interest	6,794	
Present value of the lease obligations	13,444	

Rental and lease expenses amounted to €13.8 million in fiscal year 2007 (previous year: €14.0 million). Lease payments received under non-cancelable sublease agreements amounted to €16.4 million as of the reporting date, and future minimum lease payments were €17.8 million.

Finance lease and operating lease commitments arise predominantly from lease programs under which CLAAS agricultural machines have been leased from CLAAS Leasing GmbH and subleased to end customers. In addition, the first-time application of IFRIC 4 resulted in finance lease commitments for the use of a goods distribution center based on an existing service arrangement (cf. Note 8).

No provisions were recognized for the contingent liabilities from bills of exchange, which are stated at their nominal amount of €16.7 million (previous year: €19.1 million) since the likelihood of risk is considered low.

As of September 30, 2007, other financial commitments amounted to €5.6 million (previous year: €0.9 million).

31 | FINANCING COMMITMENTS

As of the reporting date, the CLAAS Group had received the following financing commitments:

	< 1 year		1 – 5 years		> 5 years		Total	
	Balance as of Sept. 30, 2007 € million	Balance as of Sept. 30, 2006 € million	Balance as of Sept. 30, 2007 € million	Balance as of Sept. 30, 2006 € million	Balance as of Sept. 30, 2007 € million	Balance as of Sept. 30, 2006 € million	Balance as of Sept. 30, 2007 € million	Balance as of Sept. 30, 2006 € million
Bond	–	–	56.4	31.6	84.6	126.3	141.0	157.9
Syndicated loans	–	–	–	250.0	250.0	–	250.0	250.0
Credit facilities from banks and insurance companies	272.0	292.0	45.9	45.7	9.6	14.8	327.5	352.5
Total	272.0	292.0	102.3	327.3	344.2	141.1	718.5	760.4

32 | CONSOLIDATED STATEMENT OF CASH FLOWS

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

Cash flow from operating activities includes dividends received in the amount of €4.0 million (previous year: €6.3 million); non-cash profit contributions from the application of the equity method were eliminated. Non-cash additions to non-current assets were made in the amount of €0.4 million (previous year: €29.5 million). In fiscal year 2006 they mainly refer to non-cash additions from the purchase price allocation related to increasing the stake in Renault Agriculture S.A.S., Vélizy, France. Interest paid was €31.0 million (previous year: €28.8 million), and interest received amounted to €10.9 million (previous year: €7.2 million). Income tax payments amounted to €14.5 million (previous year: €34.0 million). These transactions are reported under cash flow from operating activities.

33 | EMPLOYEES

AVERAGE NUMBER OF EMPLOYEES

	2007	2006
Wage earners	4,032	4,023
Salary earners	3,864	3,740
Trainees	397	404
Total	8,293	8,167

The personnel expenses reported in the income statement under functional costs amounted to €472.8 million (previous year: €455.7 million).

34 | DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

As a result of its business activities, the CLAAS Group is exposed to exchange rate and interest rate risks. Systematic currency and interest rate management is undertaken in order to limit these risks. All of the usual financial instruments, including derivatives, are used as part of this process. Currency risks are basically related to the US dollar, the Hungarian forint, and the British pound. Forward exchange transactions and currency options are entered into in order to mitigate or eliminate exchange rate risks relating to receivables and payables denominated in foreign currencies, taking into account netting. Interest swaps and interest options serve to hedge the interest rate risk of asset and liability positions. In fiscal 2007, derivatives were also used to a limited extent to hedge the risk of increasing commodity prices. The commodity derivatives used served primarily to hedge against price fluctuations in industrial metals.

All transactions are concluded exclusively on the basis of existing underlying transactions or specifically planned transactions and are renewed on a rolling basis as required.

The notional amount of the hedging transactions constitutes the aggregate of all underlying buying and selling amounts. The level of the notional amount allows conclusions to be drawn as to the extent to which derivatives are used, but does not reflect the Group's risk exposure from the use of derivatives. The notional amounts of the derivatives are reported before netting and include interest and currency positions that were offset by counter-trades with a notional amount of €25.0 million (previous year: €6.6 million).

CLAAS pursues strict risk management. Accordingly, derivative financial instruments may not be used for speculative purposes, but only to hedge risks related to the operating business. The execution, control and recording of transactions are strictly segregated in terms of physical and organizational function. Levels of discretion in trading in terms of both amount and content are defined in internal guidelines. In the finance department, risk positions are continuously evaluated by means of audited software.

All business partners are either German or international banks of top credit quality. Since the management and the supervisory bodies of CLAAS attach great importance to systematic risk management, a comprehensive monitoring system that meets the requirements of the German Act on Control and Transparency in the Corporate Sector (KonTraG) has been implemented. In this context, the efficiency of the hedging instruments used and the reliability of the internal control systems are regularly checked by means of internal and external reviews.

For the purposes of hedge accounting, some of the derivatives are classified as cash flow hedges to hedge against variable future cash flows from long-term liabilities (terms extending until 2014) and future sales denominated in foreign currency (terms of less than 18 months). Changes in the fair value of these derivatives are recorded in equity. In fiscal 2007, €1.0 million was recorded in equity (previous year: €11.0 million). Reclassification to the income statement was undertaken in the amount in which the underlying transaction was recognized as a gain/loss in the period under review. The reclassification was made to the same account in the income statement in which the underlying transaction was recorded. In fiscal 2007, €0.4 million (previous year: €-0.4 million) was transferred to income based on currency hedging transactions.

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

FOREIGN CURRENCY DERIVATIVES

	Notional amount		Remaining term > 1 year		Fair value of assets		Fair value of liabilities	
	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000
Forward exchange transactions	255,701	280,268	1,952	15,700	7,545	998	923	2,667
Foreign currency options	118,333	135,044	–	–	3,064	1,072	100	404
Other currency hedging instruments	200,000	200,000	200,000	200,000	–	–	65,838	59,233
Total	574,034	615,312	201,952	215,700	10,609	2,070	66,861	62,304

INTEREST RATE DERIVATIVES

	Notional amount		Remaining term > 1 year		Fair value of assets		Fair value of liabilities	
	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000
Interest rate swaps	12,000	52,000	12,000	12,000	40	5	852	1,359
Total	12,000	52,000	12,000	12,000	40	5	852	1,359

COMMODITY DERIVATIVES

	Notional amount		Remaining term > 1 year		Fair value of assets		Fair value of liabilities	
	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000	Sept. 30, 2007 € '000	Sept. 30, 2006 € '000
Swaps	501	–	–	–	–	–	64	–
Total	501	0	0	0	0	0	64	0
Total hedges	586,535	667,312	213,952	227,700	10,649	2,075	67,777	63,663

35 | ASSET-BACKED SECURITIES

During fiscal 2007, CLAAS sold trade receivables on a revolving basis up to a maximum volume of €251.0 million (previous year: €284.7 million) in connection with ABS programs. Due to seasonal fluctuations, the volume of receivables sold varies during the course of the year. At the end of the fiscal year, the volume of the receivables sold amounted to €127.8 million (previous year: €131.4 million). The receivables sold under the ABS program in the USA and Europe are derecognized in accordance with IAS 39.18b, since CLAAS assumes a contractual obligation to pay the cash flows received ("pass-through arrangement").

Within the scope of the ABS transactions, CLAAS performs bookkeeping, receivables collection, and dunning services and receives a service fee in the amount of €0.2 million from one of the special purpose entities (previous year: €0.2 million).

The partially retained risks lead to a continuing involvement in accordance with IAS 39 and hence to a proportional derecognition of the receivables. The assets resulting from the continuing involvement of the CLAAS Group amounted to €10.8 million as of September 30, 2007 (previous year: €10.0 million).

36 | SEGMENT REPORTING

INFORMATION BY BUSINESS SEGMENT

	CLAAS Agricultural Equipment		CLAAS Industrial Engineering		CLAAS Production Technology		Eliminations		CLAAS Group	
	2007 € million	2006 € million	2007 € million	2006 € million	2007 € million	2006 € million	2007 € million	2006 € million	2007 € million	2006 € million
External sales	2,468	2,164	41	34	150	153	-	-	2,659	2,351
Internal sales	5	6	113	104	2	2	-120	-112	-	-
Total net sales	2,473	2,170	154	138	152	155	-120	-112	2,659	2,351
Operating profit (EBIT)	224	154	3	5	-17	4	-	-	210	163
Income from investments accounted for using the equity method	5	4	-	-	-	-	-	-	5	4
Interest income	19	12	-	-	-	-	-	-	19	12
Depreciation/amortization/impairment	80	76	5	5	17	3	-	-	102	84
Non-cash income/expenses	53	14	-	1	4	-5	-	-	57	10
Segment assets	1,665	1,495	46	45	148	147	-83	-76	1,776	1,611
Goodwill*	17	25	-	-	11	21	-	-	28	46
Investments accounted for using the equity method	31	27	-	-	-	-	-	-	31	27
Capital expenditure for property, plant and equipment and intangible assets	93	79	6	4	2	1	-	-	101	84
Segment liabilities	1,072	1,009	37	36	108	103	-45	-39	1,172	1,109

* Goodwill for the Agricultural Equipment segment has been reduced by accumulated impairment losses in the amount of €31.3 million, €7.9 million of which accrued in fiscal 2007. In the Production Technology segment, accumulated goodwill impairment amounts to €10.7 million, €10.3 million of which was attributable to fiscal 2007.

INFORMATION BY GEOGRAPHICAL SEGMENT

	Germany		Rest of Western Europe		Central and Eastern Europe		Other countries		Eliminations		CLAAS Group	
	2007 € million	2006 € million	2007 € million	2006 € million	2007 € million	2006 € million	2007 € million	2006 € million	2007 € million	2006 € million	2007 € million	2006 € million
External sales	631	557	1,210	1,077	476	357	342	360	-	-	2,659	2,351
Segment assets	1,592	1,413	734	683	95	71	155	161	-800	-717	1,776	1,611
Capital expenditure for property, plant and equipment and intangible assets	70	49	23	30	3	3	5	2	-	-	101	84

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

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

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

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

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

The increase in net sales from €2,350.9 million to €2,658.9 million is due to growth in Western Europe, particularly Germany, Great Britain, France and Scandinavia, as well as in Central and Eastern Europe.

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

	2007 € '000	2006 € '000
Operating profit (EBIT)	209,866	162,819
less income taxes	60,987	49,772
less interest and similar expenses	34,059	32,111
Net income	114,820	80,936

37 | RELATED PARTY DISCLOSURES

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

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

Type of transaction	Members of the Supervisory Board/Shareholders' Committee		Members of the Claas families – if not members of the Supervisory Board/Shareholders' Committee	
	2007 € '000	2006 € '000	2007 € '000	2006 € '000
Supervisory Board and Shareholders' Committee remuneration	270	365	–	–
Services	247	275	–	–
Credits granted to CLAAS	30,565	26,616	18,845	17,401

Deliveries to related parties amounted to €120.1 million (previous year: €93.8 million). Deliveries received from related parties amounted to €156.2 million (previous year: €121.2 million). In addition, the CLAAS Group received services from related companies in the amount of €23.6 million (previous year: €19.3 million) and rendered services in the amount of €2.7 million (previous year: €2.7 million).

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

	2007 € '000	2006 € '000
Current remuneration	6,944	5,032
Provisions for retirement benefits	321	279

Figures for the previous year are not comparable with the year under review due to changes in the management structure. Previously, the Executive Board of CLAAS KGaA mbH was the chief decision-making body of the CLAAS Group. Since October 1, 2006, however, this duty has fallen to the Group Executive Board. Comparable amounts in the year under review for this executive body comprise current remuneration of €5.4 million and provisions for retirement benefits of €0.3 million. Termination of employment contracts with managing directors of the CLAAS KGaA mbH resulted in payments of €2.1 million. Retirement benefits were paid to former members of the Executive Board of CLAAS KGaA mbH in the amount of €0.4 million (previous year: €0.4 million). Obligations for current pensions and vested rights of former members of Executive Board of CLAAS KGaA mbH/Group Executive Board amounted to €7.9 million (previous year: €5.6 million).

38 | AUDITORS' FEES AND SERVICES

The fees for the auditors of the consolidated financial statements, Deloitte & Touche GmbH, Düsseldorf, that were recognized as an expense in the fiscal year are broken down as follows:

	2007 € '000	2006 € '000
Audit fees	699	658
Audit-related services	82	7
Tax consulting fees	141	145
Other fees	64	92
Total expenses	986	902

Audit fees include all fees for auditing the financial statements of CLAAS KGaA mbH and the consolidated financial statements as well as the financial statements of the subsidiaries. Other fees mainly comprise project-related consulting services.

39 | EVENTS AFTER THE BALANCE SHEET DATE

There were no events or developments after the close of the fiscal year that would have significantly changed the presentation or amounts reported of individual assets or liabilities as of September 30, 2007.

40 | MATERIAL DIFFERENCES BETWEEN HGB AND IFRS

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

INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

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

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

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

LEASES

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

DEFERRED TAXES

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

Under IFRS, deferred taxes are recognized for temporary differences between the values recorded in the financial statements and the tax accounts. Furthermore, deferred tax assets are recorded for anticipated tax reductions from losses carried forward. Deferred tax assets and deferred tax liabilities are netted in the case of identical maturity, identical tax type, and identical tax jurisdiction.

ACCOUNTS RECEIVABLE/OTHER ASSETS/DERIVATIVES

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

INVESTMENTS AND SECURITIES

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

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

INVENTORIES

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

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

CASH AND CASH EQUIVALENTS

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

EQUITY

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

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

PENSION PROVISIONS

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

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

OTHER PROVISIONS

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

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

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements of CLAAS Kommanditgesellschaft auf Aktien mbH, Harsewinkel, consisting of the balance sheet, the income statement, the statement of changes in equity, the statement of cash flows, and the notes to the financial statements, as well as the Group management report for the fiscal year from October 1, 2006 to September 30, 2007. The preparation of the consolidated financial statements and the Group management report in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (HGB) are the responsibility of the Company's management. Our responsibility is to express an opinion, based on our audit, on the consolidated financial statements and the Group management report.

We conducted our audit of the consolidated financial statements pursuant to Section 317 of the German Commercial Code and the generally accepted German standards for the audit of financial statements as promulgated by the "Institut der Wirtschaftsprüfer." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any misstatements or violations that would have a material effect on the presentation of a true and fair view of the financial position and financial performance conveyed by the consolidated financial statements in accordance with generally accepted accounting principles and by the Group management report. Knowledge of the business activities and economic and legal envi-

ronment of the Group and expectations of possible misstatements are taken into account in determining audit procedures. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements and Group management report as well as the effectiveness of the internal control system relating to the accounting system. The audit also includes assessing the financial statements of the companies included in the consolidated financial statements as well as the definition of the group of consolidated companies, the accounting and consolidation principles used, and significant estimates made by the Company's management as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Düsseldorf, November 21, 2007

Deloitte & Touche GmbH
Wirtschaftsprüfungsgesellschaft

(Schlereth)
Wirtschaftsprüfer
(German Public Auditor)

(Kavelage)
Wirtschaftsprüfer
(German Public Auditor)

MANAGEMENT STATEMENT ON THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements and the Group management report have been prepared by the management of CLAAS KGaA mbH. The accuracy and completeness of the information contained in the financial statements and the Group management report are the responsibility of the Company's management. The consolidated financial statements for the fiscal year ended September 30, 2007 were prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Directive 83/349/EEC. Previous year figures were determined in accordance with the same principles. The consolidated financial statements are supplemented by the Group management report and the notes to the financial statements 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.

Deloitte & Touche GmbH, Wirtschaftsprüfungsgesellschaft, has audited the consolidated financial statements and the Group management report and has issued an unqualified audit opinion.

Harsewinkel, November 21, 2007

Dr. Theo Freye

Dr. Hermann Garbers

Thomas Klatt

CLAAS KOMMANDITGESELLSCHAFT AUF AKTIEN MBH, HARSEWINKEL/GERMANY

STRUCTURE OF CLAAS KGAA MBH

PERSONALLY LIABLE PARTNER

Helmut Claas GmbH

SHAREHOLDERS

Helmut Claas
Günther Claas
Reinhold Claas

KGAA SHAREHOLDERS

Family Helmut Claas
Family Günther Claas
Family Reinhold Claas

SHAREHOLDERS' COMMITTEE

Helmut Claas, Harsewinkel
Chairman

Cathrina Claas, Zurich
Deputy Chairman

SUPERVISORY BOARD

Helmut Claas, Harsewinkel,
Chairman
Guntram Schneider, Münster*
Deputy Chairman
Cathrina Claas, Zurich
Oliver Claas, Bohmte
Reinhold Claas, Harsewinkel
Uwe Bolweg, Liesborn* (since 01/07)
Michael Köhler, Paderborn*
Nicola Leibinger-Kammüller, Ditzingen
Günter Linke, Harsewinkel*
Gerd Peskes, Düsseldorf
Konrad Siegers, Harsewinkel* (until 01/07)
Heinrich Strotjohann, Harsewinkel*
Carmelo Zanghi, Paderborn*

* Employee representatives

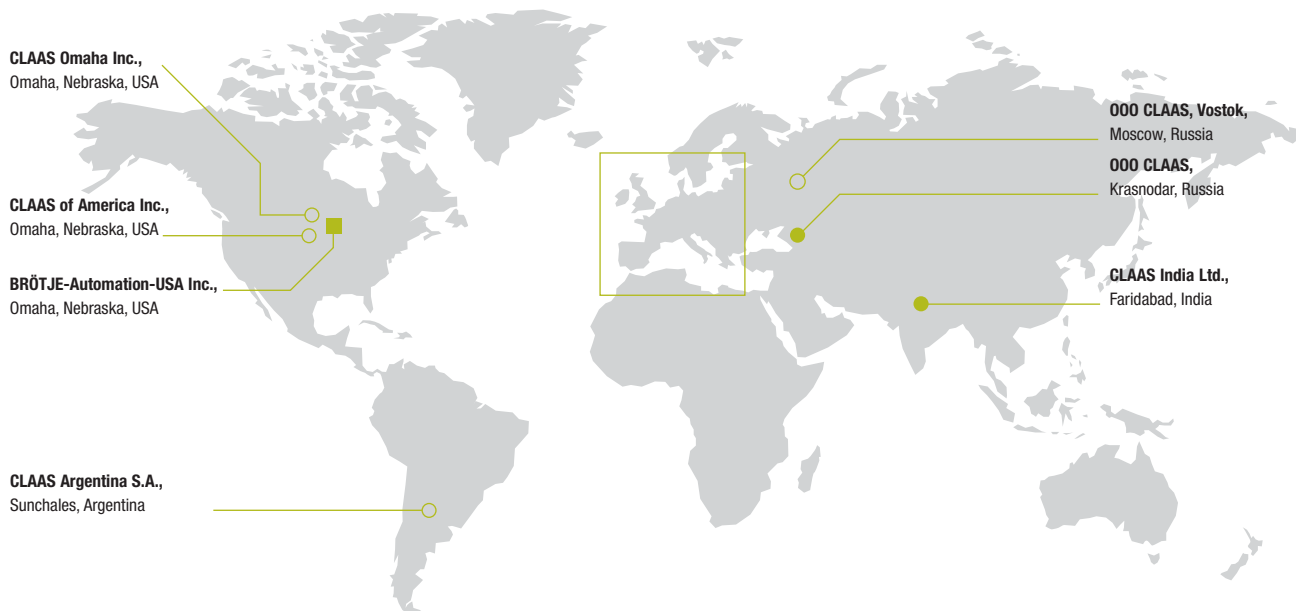
GROUP EXECUTIVE BOARD

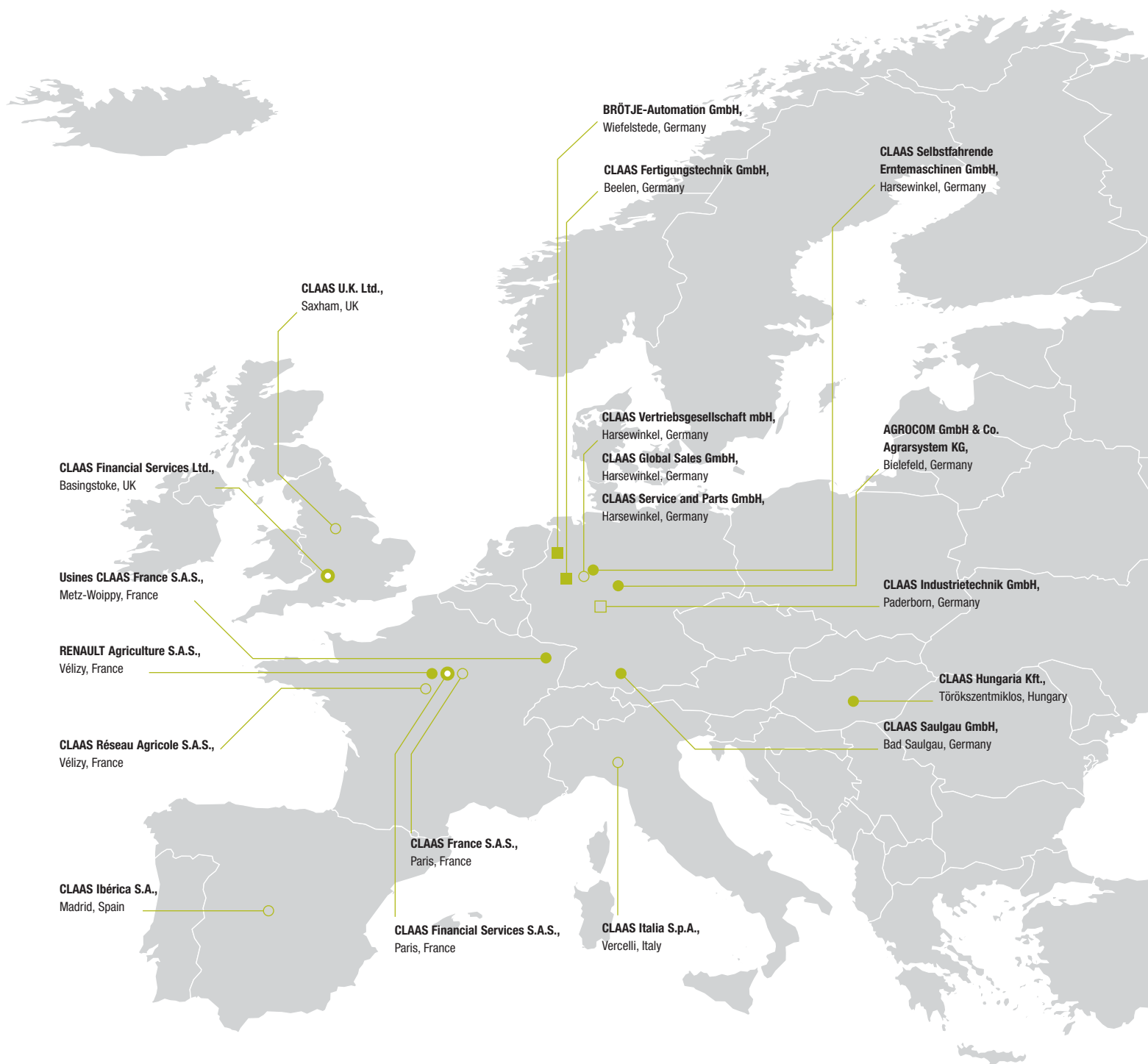
Theo Freye**
Hermann Garbers**
Ulrich Jochem
Thomas Klatt**
Lothar Kriszun
Rolf Meuther
Jan-Hendrik Mohr

** Executive Board of Helmut Claas GmbH

AUTHORIZED COMPANY REPRESENTATIVES

Gerd Hartwig
Stefan Belda





AGRICULTURAL EQUIPMENT

■ PRODUCTION TECHNOLOGY

■ INDUSTRIAL ENGINEERING

as of September 30, 2007

- Product companies
- Sales companies
- Finance companies

SEVEN-YEAR OVERVIEW

FINANCIAL PERFORMANCE		2007	2006	2005	2004	2003*	2002*	2001*
Net sales	€ million	2,658.9	2,350.9	2,175.3	1,928.4	1,496.3	1,265.5	1,147.9
Foreign sales in percent	%	76.3	76.3	75.1	76.8	69.2	64.9	68.9
Income before taxes	€ million	175.8	130.7	86.4	36.1	22.6	55.8	36.1
Net income	€ million	114.8	80.9	54.7	21.9	17.9	32.5	14.3

FINANCIAL POSITION		2007	2006	2005	2004	2003*	2002*	2001*
Non-current assets	€ million	493.3	501.9	473.9	472.2	438.1	306.8	247.5
Intangible assets	€ million	141.3	145.6	123.1	119.8	55.8	20.0	6.8
Property, plant, and equipment	€ million	257.6	260.8	243.9	249.1	252.3	192.8	155.5
Non-current financial assets	€ million	94.4	95.5	106.9	103.3	130.0	94.0	85.2
Current assets	€ million	1,282.7	1,109.5	1,137.8	973.7	974.7	712.8	683.9
Inventories	€ million	343.0	339.9	295.0	280.6	337.6	207.1	168.5
Current financial assets	€ million	341.8	333.6	342.1	312.5	292.3	205.0	181.3
Liquid assets	€ million	597.9	436.0	500.7	380.6	344.8	300.7	334.1
Equity	€ million	604.4	502.5	484.9	374.4	292.5	292.2	268.8
Funds similar to equity**	€ million					106.3	58.3	56.3
Liabilities	€ million	1,171.6	1,108.9	1,126.8	1,071.5	1,014.0	669.1	606.3
Non-current liabilities	€ million	541.4	545.4	499.2	569.6	502.5	309.7	301.9
Current liabilities	€ million	630.2	563.5	627.6	501.9	511.5	359.4	304.4
Total assets	€ million	1,776.0	1,611.4	1,611.7	1,445.9	1,412.8	1,019.6	931.4

KEY PERFORMANCE INDICATORS		2007	2006	2005	2004	2003*	2002*	2001*
Return on sales	%	6.6	5.6	4.0	1.9	1.5	4.4	3.2
EBIT	€ million	209.9	162.8	118.0	70.4	53.2	84.0	66.7
EBITDA	€ million	312.0	246.4	186.7	142.4	90.9	111.9	111.5
Return on equity	%	19.0	16.1	11.3	5.8	6.1	11.1	5.3
Return on assets	%	11.8	10.1	7.3	4.9	3.8	8.2	7.2
Cash flow (DVFA/SG)***	€ million	236.3	171.4	130.7	94.2	51.2	67.4	67.7
Equity-to-assets ratio	%	34.0	31.2	30.1	25.9	20.7	28.7	28.9
Cash ratio	%	94.9	77.4	79.8	75.8	67.4	83.7	109.7
Equity and non-current liabilities to non-current assets	%	232.3	208.8	207.7	199.9	205.7	215.2	253.3
Working capital	€ million	420.2	413.7	443.9	368.1	415.9	303.5	251.8

EMPLOYEES		2007	2006	2005	2004	2003*	2002*	2001*
Employees as of the reporting date (including trainees)		8,425	8,191	8,134	8,127	8,391	6,114	5,488
Personnel expenses	€ million	472.8	455.7	433.1	416.8	352.3	291.7	277.3

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

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

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

Return on sales (%)	=	$\frac{\text{Income before taxes}}{\text{Sales}} \times 100$
EBIT	=	Net income + income taxes + interest expense + interest and similar expenses
EBITDA	=	EBIT +/- depreciation/write-ups of intangible and tangible assets
Return on equity (%)	=	$\frac{\text{Net income}}{\text{Equity}} \times 100$
Return on assets (%)	=	$\frac{\text{EBIT}}{\text{Total assets}} \times 100$
Cashflow according to DVFA/SG	=	Net income + depreciation/amortization of non-current assets +/- change in pension provisions and other non-current provisions +/- other non-cash income and expenses
Equity-to-assets ratio (%)	=	$\frac{\text{Equity}}{\text{Total assets}} \times 100$
Liquid assets	=	Cash and cash equivalents + marketable securities
Cash ratio (%)	=	$\frac{\text{Liquid assets}}{\text{Current liabilities}} \times 100$
Quick ratio (%)	=	$\frac{\text{Liquid assets} + \text{trade receivables} + \text{income tax assets} + \text{other receivables and current financial assets} - \text{current derivative assets} - \text{prepaid expenses} + \text{non-current receivables from investments} + \text{other non-current assets}}{\text{Current liabilities}} \times 100$
Equity and non-current liabilities to non-current assets (%)	=	$\frac{\text{Equity} + \text{non-current liabilities}}{\text{Non-current assets}} \times 100$
Equity and non-current liabilities to non-current assets and inventory (%)	=	$\frac{\text{Equity} + \text{non-current liabilities}}{\text{Non-current assets} + 0.5 \times \text{inventories}} \times 100$
Working capital	=	Inventories - advance payments received +/- trade accounts receivable/payable +/- accounts receivable/payable to investments + POC receivables +/- notes receivable/payable
Inventory turnover (%)	=	$\frac{\text{Average inventory}}{\text{Sales}} \times 100$
Receivables turnover (%)	=	$\frac{\text{Average trade receivables}}{\text{Sales}} \times 100$
Days sales outstanding	=	Receivables turnover x 365

The key performance indicators for the fiscal years 2004 to 2007 are presented in accordance with IFRS. The figures for fiscal years 2001 through 2003 are based on U.S. GAAP.

CONTACT

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www.claas.com

Additional copies of this report and further information about CLAAS are available free of charge on request.

PUBLIC RELATIONS/ INVESTOR RELATIONS

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This report is available in German and English. Both versions may be downloaded on the Internet at www.claas.com

CONCEPT, DESIGN & REALIZATION

Kirchhoff Consult AG
Hamburg, Germany

Copy of the map on page on page 30 et seq. published with permission of GeoRegio Network AG, Stansstad, Switzerland.

ENGLISH TRANSLATION

Gehlert GmbH
Legal and Financial Translations
Frankfurt, Germany

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