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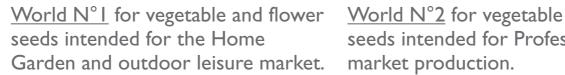
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The original French version of this reference document was registered with the Autorité des Marchés Financiers on November 2<sup>nd</sup> 2004 in compliance with regulation N° 98-01.

It may be used to support any financial operation on condition it is accompanied by a "note d'opération" signed by the Autorité des Marchés Financiers.

### Vilmorin Clause & Cie in brief





Leader in Europe for Home Garden lawn seeds.

A strategy based on innovation and research, open to several scientific and commercial partnerships; this is the key to successful development and winning new markets.



seeds intended for Professional market production.

Continuous investment in research (12.8% of Professional sales in 2003-2004).

Strong international development (69% of sales achieved outside France in 2003-2004), guaranteeing a healthy balance, risk spread and excellent potential for growth.

A reference shareholder: Limagrain, fourth largest seed producer in the world.

### Vilmorin Clause & Cie in brief

































A portfolio of <u>prestigious brands</u> that are clearly positioned in the different distribution channels, and with very strong reputations.

<u>Total control</u> of all the essential functions involved in the <u>business</u>: research, seed production, industrial processing, marketing and sales.

Strong ethical values that aim at providing the best possible balance between the creation of value, respect for mankind and biodiversity.

Stock market security with a European vocation, characterized by <u>regular</u>, <u>attractive</u> <u>yields</u>.



# Cultivating the taste of life

With its own vast international network and a portfolio of prestigious brands, Vilmorin Clause & Cie continues to lead the world in botanic creation intended for the markets of vegetable production and home garden outdoor leisure.

Day after day, Vilmorin Clause & Cie strengthens its positions and pursues its strategy, while respecting an ethical vision of its development.

Cultivating the taste of life is the expression of a commitment to a philosophy that emphasizes quality, with respect for all women and men, and the environment they live in.

These are inspiring themes for research and artistic creation which have their counterparts in research and plant breeding.

Vilmorin Clause & Cie asked an actor, a dancer, a plastician artist, a costume designer, an illustrator and a photographer to express their talent on a number of its commitments, staging the human body as the medium.

It is their vision of themes such as biodiversity, international development, innovation the living environment and nutritional quality. that you will discover as you visit the gallery on this same website.



Cover:
Design Adeline TAVARES

## Message from the Board of Directors



### Cultivating the taste of life

This is the project in which our confidence in the future is firmly rooted.

Inheriting a culture going back through 260 years' experience of plant breeding, the corporation has based its development on ruthless quality control and a policy of sustained investment in research and innovation.

These two pre-requisites have made it possible to embrace scientific and commercial partnerships and to innovate relentlessly, offering all those involved in our Professional and Home Garden markets ever more efficient products in terms of food safety and nutritional value

Our ethical approach is based on the search for the best possible balance between the creation of value, respect for mankind and the conservation of natural resources.

#### Combining growth and yield

After a fiscal year 2002-2003 which had already shown sustained growth throughout the business, and a considerable increase in profitability, Vilmorin Clause & Cie has once again seen its efforts crowned with successful sales (+ 13.3%) and profits (+ 29.6% group share) for the fiscal year 2003-2004.

This year is particularly marked by the solid organic growth of the Professional Division, by the global confirmation of the potential of the Home Garden Division, and by the successful integration of the recent takeovers, Hazera Genetics and Sperling.

Thus, Vilmorin Clause & Cie has once more confirmed its high level of profitability by presenting the best net results in absolute value for all the profession throughout the world.

In the context of gloomy stock markets, these successful performances were accompanied by constant, robust progression of our share value. Moreover, your Board of Directors is eager to maintain a forward-looking dividend policy that now combines growth and yield, and quite rightly rewards the faith that you have shown in our projects.

## Underpinning profitable and sustainable perspectives for growth

Last year fully corroborated the strategy pursued over the past ten years with persistence and conviction in the search for strong worldwide positions in our two businesses, the Professional market and the Home Garden market.

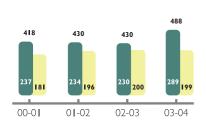
In coming years, the development of Vilmorin Clause & Cie's professional activities will continue to benefit from population growth and the evolution of food habits in its target markets, along with its control over, and capacity to exploit, the germplasm of vegetable plants.

In its other field of activity, the amateur gardening leisure market, Vilmorin Clause & Cie's growth is supported by favorable trends in our society, particularly those involving respect for the environment and a return to nature. In this context, Vilmorin Clause & Cie will continue to exploit fully its capacity to innovate, its dedicated branding policy and its expertise in managing partnerships with the different distribution categories.

Vilmorin Clause & Cie operates at the heart of these evolutions of society and markets, with the clear, steadfast ambition of reinforcing its position as market leader, and of continuing to marry business growth with profitability, as in previous years. Its strategic principles, its rich organization and the values that underlie all it undertakes are the preeminent guarantees of this ambition.

### TWO COMPLEMENTARY BUSINESS ACTIVITIES:



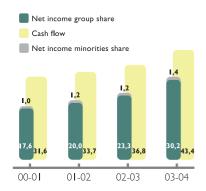


Evolution in the sale of goods (in M€)

The external growth operations achieved in 2003-2004 (Hazera Genetics and Carl Sperling & Co) have slightly modified the balance between the Professional and Home Garden activities.

Nevertheless Vilmorin Clause & Cie still applies the same fundamental strategic principle of complementarity between the two operational divisions and their well-balanced development, in terms of both organic and external growth.

### AN INCREASE IN PROFITS OF NEARLY 30%:

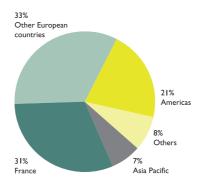


Evolution of net income and cash-flow (in M€)

In line with the trend of previous years, Vilmorin Clause & Cie has consolidated its financial performances both in terms of margins and absolute profits.

The group's net share of the profit is up 29.6%, and the cash flow also improved.

#### HIGHLY INTERNATIONAL BUSINESS MADE UP OF 80% OF SALES IN SEEDS:



Breakdown of sales into geographical areas (as a %)

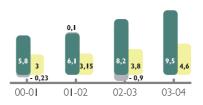
For the first time in its history, Vilmorin Clause & Cie made more than two thirds of its sales outside France.

Sustained development of the Home Garden and Professional businesses in North America, the integration of Hazera Genetics and greater presence on the Asian markets all helped to make Vilmorin Clause & Cie an even more international group this year.

Furthermore, Vilmorin Clause & Cie confirmed its powerful influence in its core business, vegetable seeds, while remaining open to diversification projects or line-up complements.

## AN ATTRACTIVE AND CONSISTENT POLICY OF DISTRIBUTING PROFITS:



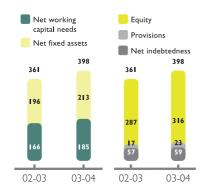


Evolution of the earnings (group share) and dividend per share (in €)

Remaining faithful to its dividends policy, Vilmorin Clause & Cie has decided to distribute almost half its profits.

Over and above a significant increase in value, the Vilmorin Clause & Cie share provides a global yield of more than 5%.

#### A SOLID FINANCIAL STRUCTURE:



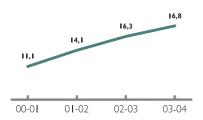
Consolidated balance sheet structure on June 30th 2004 (in M€)

After completion of the fiscal year 2003-2004, Vilmorin Clause & Cie can boast a very healthy financial structure which remained unaffected by the external growth operations finalized during the course of the year.

Restated for variations in scope and in spite of a growth in business, net working capital needs dropped appreciably.

Globally, Vilmorin Clause & Cie has thus preserved an excellent capacity to undertake new development operations owing to a highly favorable gearing ratio, at less than 20%.

### A CONSISTENT INCREASE IN ECONOMIC PROFITABILITY:



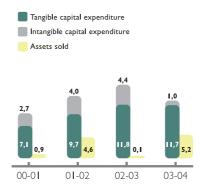
Evolution of the ROCE ratio (as a %)

ROCE =  $\frac{\text{Earnings before interest, taxes, depreciation and amortization (EBITDA)}}{\text{Fixed assets + Net working capital needs}}$ 

As a result of its careful management of working capital needs and a rational capital investment policy, Vilmorin Clause & Cie has again improved the profitability of the capital it has mobilized to run its operations.

Furthermore this performance is equally due to the efforts of the Professional and the Home Garden Divisions which, for this criteria, and in spite of their respective specificity, reached the same level of profitability.

### A SUSTAINED INVESTMENT POLICY:

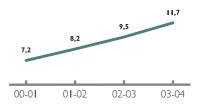


Evolution of investments (in M€)

In 2003-2004, Vilmorin Clause & Cie once again invested considerable capital in the improvement and renovation of its intangible and industrial assets.

A particular effort was made this last year with equipment and resources available to research and also to the conclusion of the program to implement a new integrated information system (ERP) for the main companies in the Professional Division.

### EVEN HIGHER RETURNS ON EQUITY INVESTED:



Evolution of the ROE ratio (as a %)

**ROE** =  $\frac{\text{Earnings before taxes (EBT)}}{\text{Shareholders' equity before profits}}$ 

Vilmorin Clause & Cie's fiscal year for 2003-2004 was crowned by a strong increase in returns on its shareholder's equity.

The significant increase in its profitability, the adoption of a balanced policy of distribution of its profits and the consolidation of new minority capital are the main reasons behind this progression.

### Business activities

Vilmorin Clause & Cie creates, produces and sells vegetable seed varieties for two different markets:

- the Professional agri-food market, to which it supplies high quality, high performance vegetable seeds,
- the Home Garden or amateur garden and outdoor leisure market, for which it offers a wide range of gardening products and accessories for pets.

## Seeds with high added-value for the Professional agri-food market

The basis on which all of Vilmorin Clause & Cie's business activities are founded is high <u>performance</u> – the key requirement of the Professional agri-food market.

Whether market gardeners - who will be producing vegetables for fresh markets - or processors, specialists in canning, deep-freezing and freeze drying, all those working in vegetable production must constantly anticipate and meet the needs and tastes of consumers, while optimizing their economic performances. In order to succeed, they seek ever more efficient varieties whether in terms of productivity, suitability to different growing and processing conditions, or organoleptic and nutritional qualities.

As for the consumers themselves, they are growing more and more aware of the close relationship between food and health, and this represents an exceptional potential for development, leading to growing consumption of fruit and vegetables.

This evolution of food habits, and the increase in the world population, can both explain why this market is expanding regularly. This evolution concerns all the different continents, and professionals in vegetable production can be found all over the world within the major production and consumption areas. This market is highly dependent on the results of research and development, and consequently, for the research conducted by Vilmorin Clause & Cie, it is vital that experimentation centers should be close to these areas.

#### 30 species for the Professional market

Vilmorin Clause & Cie works on 30 different species: fruit vegetables (squash, cucumber, tomato) root vegetables (leek, onion, carrot, turnip, radish), leafy vegetables (lettuce, brassica, cabbage, cauliflower), and grain vegetables (beans and peas).



## The main product families for the Home Gardener:

- > vegetable and flower seeds,
- > lawn seeds.
- > flower bulbs,
- > young plants,
- > fertilizers,
- > compost,
- > plantcare products,
- > accessories for pets.



#### Prestigious brands for the Home Garden and outdoor leisure market

Vilmorin Clause & Cie offers outdoor leisure consumers various ranges of seeds, outdoor plants and accessories for pets. Indeed, very often these home gardeners will have a pet.

Vilmorin Clause & Cie is in permanent contact with these consumers in order to cover all their needs: <u>better quality</u>, <u>safety</u>, <u>traceability and convenience</u>. They must have access to high quality products that are easy to use, and presented in safe, informative packaging.

In such a context, trust in major brand names is essential, as they are synonymous with success. This is a real advantage for Vilmorin Clause & Cie, which manages a portfolio of well-known brands adapted to each geographical region and present in all the different distribution channels: garden centers, DIY stores, supermarkets and mail order.

The market for leisure gardening continues to make significant progress with all consumer profiles; whether they own a garden or a terrace or a balcony, whether they are country or city dwellers, simply amateurs or those with a real passion are seeking healthy activities, in communion with nature, and an improvement of their immediate environment, whatever the season.

## An organization with locations spanning the whole world

Vilmorin Clause & Cie has organized its structure to reflect its two major markets: Professional and Home Garden.

#### Professional Division

Companies from the Professional Division come under five operational business units:

- Vilmorin/Nickerson Zwaan for Northern Europe
- ▲ Clause Tézier mainly for Southern Europe
- ◆ Harris Moran for the Americas
- Hazera Genetics for the Middle East and the Mediterranean basin
- ★ Asia/Australia, built around Kyowa, Mikado, Henderson and Marco Polo Seed



Through this set-up it is possible to meet the global needs of vegetable producers who operate in all four corners of the world. It also favors the optimal use of resources and synergies between the different companies. Each business unit has a single management team coordinating activities in different areas: research, production, administration or sales.

#### Home Garden Division

The Home Garden Division comprises four operational business units:

- Oxadis in France
- Flora Frey/Sperling in Germany coordinating with CNOS Vilmorin in Poland
- Suttons in the United Kingdom
- Ferry Morse in the United States

and two companies involved upstream in the supply chain:

- ★ Top Green for lawn seeds
- ★ Van den Berg for flower bulbs



Through this set-up it is possible to cover the main vegetable and flower seed markets, while adapting the marketing approach to each country's particularities. Indeed amateur gardening practices and distribution methods vary considerably from one country to another. Each business unit therefore develops its supply to the market for gardening in its own area.



Professional Division

Home Garden Division

show which business units the different companies belong to, as indicated on page 10.

### Know-how

From research to distribution, Vilmorin Clause & Cie controls all the stages in the vegetable seeds chain. This control enables the group to offer high quality products to its customers, adapting supply to its different markets.



### Research, the key to success

Research, at the very heart of Vilmorin Clause & Cie's activity, plays a decisive role in the creation of added value. Its objective is to come up with new varieties that meet market needs as they change.

#### 30 species worked on

The research departments at Vilmorin Clause & Cie are responsible for <u>regular improvement of seed quality in order to meet customer expectations</u>. To this aim they work on 30 vegetable species.

Particular attention is paid to the most widely consumed species throughout the world: carrot, cabbage, cauliflower, cucumber, squash, bean, lettuce, sweet corn, melon, pepper and tomato.

Each species constitutes a research program; for all the species together there are about one hundred sub-areas, each determined by the four following criteria:

- > the size and profitability of the markets,
- > the genetic material available,
- > the relative strengths of competitors,
- > the influence of already existing lines.

#### The main areas of research

Although conventional plant breeding represents 80% of research investment, upstream research is certainly not forgotten. Such research is represented by:

- > phytopathology, through which knowledge of the sources of disease and resistance can be extended,
- > molecular biology, which provides precise information on the genetic make-up of plants in order to improve variety quality.

Other research areas concern:

- > longer crop cycles,
- > the morphological characters of vegetables: shape, color, weight and size,
- > global quality characteristics: sugar content, conservation after harvesting, etc.

## Considerable resources devoted to research:

- > investment at nearly 13% of Professional sales,
- > more than 500 researchers,
- > 27 research centers and experimentation stations spread over 27 countries.

#### Seed production, a strategic link

Seed production is the vital link between the breeding and marketing of varieties. It must provide two guarantees: maximum flexibility and capacity to respond to market conditions, while maintaining top quality at the best possible prices.

#### A highly specialized profession

Producing the best seeds is a specialized profession requiring solid technical and scientific skills, and also <u>careful choices</u> <u>of production areas</u>. Vilmorin Clause & Cie entrusts its production to a carefully selected network of farmers.

#### Farmers to multiply seed: an essential network

The choice of the farmer is crucial, as it will determine the quality of the finished product.

With an international network of about one thousand farmers multiplying seed, either in direct contact or working through production companies, Vilmorin Clause & Cie has set up a contract system in which it retains ownership of the seed.



## Processing, a succession of rigorous operations

Processing involves a series of operations carried out between the harvesting of the seeds and the time they are packaged with the different brand names of Vilmorin Clause & Cie. Such operations are necessary in order to provide the market with quality high-tech seeds, meeting user requirements: germinative quality, variety purity, sanitary state, etc.

#### Modern industrial facilities

One of the main strengths of Vilmorin Clause & Cie resides in its modern industrial equipment. Sorting and cleaning, grading and drying, treatment (pelleting, film-coating, chemical dressing), packaging, storage, order management and picking: all these processing operations are carried out in the best possible conditions at its different industrial sites.

#### Irreplaceable know-how

Efficient equipment is necessary, but so are the skilled operators, with their know-how built up over tens of years of experience. They make sure that the final users can obtain seeds of the highest quality.

## Distribution supported by a strong brand policy

Whether for the Professional or the Home Garden markets, Vilmorin Clause & Cie distributes in close contact with its customers. Therefore almost all the subsidiaries of Vilmorin Clause & Cie act as distributors, and more than 30% of the people working at Vilmorin Clause & Cie are involved in this essential function.

Vilmorin Clause & Cie markets powerfully, relying on its large portfolio of prestigious brands: 23 Home Garden brands and 16 Professional brands, leading brands followed very closely for market position. As a result Vilmorin Clause & Cie covers all the various distribution networks and can adapt to all the different market segments.

After research, brands are the second pillar of success for Vilmorin Clause & Cie.

## Vilmorin Clause & Cie: 260 years' history of prestige

The worldwide reputation of Vilmorin Clause & Cie is anchored in more than 260 years of history that are particularly rich.

Devoted to the improvement of vegetable and flower plants, it is interwoven with the dynasty of the de Vilmorin family, true precursors in this field.



botanist of Louis XV.



in its market

The first origins of the company date back to 1743, when two names associated with talent came together: Philippe-Victoire de Vilmorin, whose guidelines on how to grow

Together they set up the boutique of "d'Andrieux and Vilmorin" on the Quai de la Mégisserie in Paris, writing the first chapter of a long saga.

turnips, red clover or rape foreshadowed the future Guide

Vilmorin, and Pierre d'Andrieux, a seed collector and

Following in the footsteps of Philippe-Victoire, Louis, Henri, Philippe, André, and then Roger de Vilmorin, associated their names with the history of plant improvement. They were behind major discoveries (statement of the principle of genealogical breeding) or technical advances: the improvement of seeds using the rational cross-breeding method, the hybridization of wheat, the creation of disease-resistant beans, etc.

#### Louis de Vilmorin, the inventor of the principle of genealogical breeding

It was in 1856 that Louis de Vilmorin (1816-1860) stated, for the first time, the principle of genealogical breeding.

A biologist and chemist, Louis de Vilmorin devoted his life to the study of heredity in plants, and particularly to the phenomenon of the transmission of characteristics through the descendants of cultivated plants.

In 1856, he passed on his "Note on the creation of a new race of beetroot and considerations on heredity in plants" to the Academy of Sciences.

This principle still holds today, and remains the worldwide reference for breeders to create new plant varieties.

At the beginning of the twentieth century, the first research programs for plants were based on his work.

By inventing the profession of breeder, Louis de Vilmorin gave his family an international reputation.

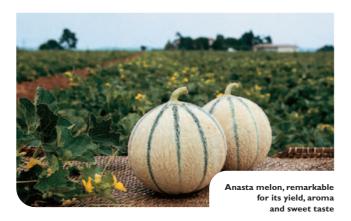


Maestro, a carrot much appreciated for its smoothness, color and uniformity

The capacity of these successive generations to innovate goes hand in hand with the industrial and commercial expansion of the company.

It is this exceptional heritage that Vilmorin Clause & Cie cultivates every day for future prosperity, mainly through:

- > investing large sums in research and development, the key to innovation,
- > managing a portfolio of prestigious brands. Clearly positioned, these brands are sold throughout the world. They are extremely well known and recognized as conveying the image of quality and authenticity associated with Vilmorin Clause & Cie products.



### Key dates

> Foundation of the group's companies

1743: Vilmorin (France)

1785:Tézier (France)

1788: Sperling GmbH (Germany)

1806: Suttons (United Kingdom)

1850: Ferry Morse (United States)

1892: Clause (France)

1906: Flora Frey GmbH (Germany)

> Setting up the group

1975: Vilmorin joined Limagrain

1993: Vilmorin & Cie entered the stock market

1997: Vilmorin & Clause became Vilmorin Clause & Cie after the purchase of Clause

> External growth operations

1979: Tézier (France)

1981: Ferry Morse (United States)

1990: Flora Frey GmbH (Germany)

1994: Suttons (United Kingdom)

1996: Clause (France) and Harris Moran Seeds Inc (United States)

1998: Nickerson Zwaan BV (Netherlands)

1999: Henderson Seeds JV (Australia) and Geissler (Switzerland)

2000: Kyowa Seeds (Japan)

2001: Keygene (Netherlands)

2002: Van den Berg (Netherlands)

2003: Hazera Genetics Ltd (Israel)

2004: Sperling GmbH (Germany)

## Strategic orientations

"Cultivating the taste of life" means the commitment to putting quality and respect for man and his environment before everything else. Vilmorin Clause & Cie endeavors to promote this vision of sustainability and responsibility as a company model.

Its strategy is based on several fundamental principles around two key themes — research and innovation, and international development.



Having adopted such a responsible approach, Vilmorin Clause & Cie has the strong foundations to consolidate its position as world leader, combining development and responsibility.

#### A responsible company

The notion of responsibility is central to all the strategic orientations of Vilmorin Clause & Cie, and can be summarized in four commitments:

- > Exploit investment both worldwide and sustainably. Research and innovation, along with international growth and marketing expertise, are defined as key components in development. They play two vital roles: enriching Vilmorin Clause & Cie's vast germplasm heritage, and making sure it is exploited all over the world.
- > Anticipating by assessing risks. By remaining as close as possible to the realities of the field, Vilmorin Clause & Cie is able to anticipate and assess all the risks that may occur, preparing appropriate reactions.
- > Managing by getting people involved. Vilmorin Clause & Cie's decentralized management approach leaves a great deal of autonomy and responsibility to the different teams. The aim of this approach is to strengthen internal cohesion, motivation and thus performance.
- > <u>Developing while respecting the environment</u>. Vilmorin Clause & Cie takes the potential environmental consequences linked to its business into account, in order to control and reduce them. It participates extensively in interprofessional representative bodies, and lobbies in favor of free access to genetic resources and the conservation of biodiversity.

#### The 7 founding strategic principles

Since its introduction on the French stock market, Vilmorin Clause & Cie has based its development strategy on a number of cardinal principles, guaranteeing its capacity to strengthen its world leadership:

- > <u>Complementarity</u> through the simultaneous and balanced development of <u>two business</u> <u>Divisions, Professional and Home Garden.</u>
- > Maintaining <u>excellence in research and development</u>, by intensifying investment in a rational manner, both in upstream technology (biotechnology, genomics) and in conventional plant breeding.
- > Permanent international expansion for all aspects of business, and for all companies.
- > <u>Strengthening or taking up new competitive positions in target markets</u>, especially through external growth operations.
- > <u>Accepting and seeking partnerships</u> in sectors where technical expertise or a critical size can boost development for Vilmorin Clause & Cie and its subsidiaries, catalyzing their development.
- > Priority given to a management policy favoring <u>autonomy in each company's management</u>, and the encouragement of synergy between the different business units.
- > <u>Long-term values</u> born from the history of the company, and based on reliability, honesty, prudence and long-term commitment.



## Research and innovation, keys to development

Research and innovation are the keystone to the strategy of Vilmorin Clause & Cie, mobilizing all its teams, from research to marketing. Their objective is to find new solutions to consumer and user needs. As primary sources of added value, and therefore new market shares, they enable the company to generate its wealth for the future.

#### Anticipating and accompanying demand

Research and development at Vilmorin Clause & Cie must relentlessly meet the challenge of new needs, which often vary according to geographical areas, in particular with regard to nutrition, food safety and respect for the environment.

Working closely to its customers, whether Home Garden or Professional, it strives to anticipate their needs and continually provide adequate answers.

And so Vilmorin Clause & Cie's research departments are continually creating sophisticated efficient new varieties. Better productivity, better adaptation to growing and processing conditions, better nutritional quality; research provides decisive improvements to already existing varieties.

Research and development works on such topics as:

> Adapting to consumer tastes: stringless beans, seedless water-melons, removal of bitterness in cucumbers and witloof chicory, sweeter melons, carrots richer in vitamins, etc. Research also takes into account the diversity of tastes in different countries.

- > <u>Meeting agribusiness norms</u> (standardization of caliber, uniformity of products), and <u>meeting the needs of those</u> working in vegetable production:
- a new variety of lettuce providing resistance to a disease that is devastating production fields will meet the needs of market gardeners,
- a new variety of tomato that takes longer to ripen, and remains firm for longer, will meet the needs of distributors,
- a new variety of bean that can be harvested mechanically, and stay green once it has been cooked will be of interest to the canning industry.
- > <u>Respecting the environment</u>: the reduction of needs for insecticides and pesticides through the creation of resistant varieties, the development of varieties that require less water intake, etc.

Vilmorin Clause & Cie's researchers work in association with those of Groupe Limagrain, with public research institutes, and with specialists from the major agricultural science and university laboratories both in France and all over the world.



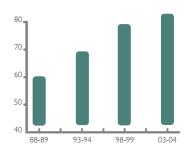
## Products coming directly from research: more than 83% of Professional sales

The growing share of proprietary variety sales illustrates the key role of research in the strategy of Vilmorin Clause & Cie. Every year the companies in the Professional Division of Vilmorin Clause & Cie propose more than fifty new varieties that have come out of their own research programs. Today, these proprietary varieties represent 83% of Professional sales, compared with 50% fifteen years ago.

The rest is made up of older varieties or line additions which are not the result of systematic research.

This evolution means that today the company is recognized as a major player, as is clear from its numerous scientific partnerships with public and private research institutes (e.g.: Génoplante, INRA, CNRS, the universities of Davis (California) and Cornell (New York), PRI Wageningen (Holland), etc.).

### SALES OF PROPRIETARY VARIETIES: (% of Professional activity)



### A rich genetic heritage

Vilmorin Clause & Cie devotes large-scale human and technical resources to its genetic assets - a collection of several thousand varieties built up by over the 260 years of its history, guarantee the company's enduring success.

This genetic heritage has always been continually enriched by:

- > increasing the number of species worked on,
- > developing the proportion of products that come out of Vilmorin Clause & Cie's research programs,
- > and external growth operations.



	01-02	02-03	03-04
Research & Development expenditure in M€	29.1	28.7	34.7 (1)
> % of total sales	6.7%	6.7%	7.4%
> % of Professional sales	12.5%	12.5%	12.8%
Number of employees	433	433	505
Number of sites including:	59	55	54
> Europe and the Middle East	23	22	17
> the Americas	13	11	15
> Asia	13	12	12
> France	9	9	8
> Africa	1	1	2

<sup>(1)</sup> Directly recorded in expenses, before invoicing services of a scientific nature to Groupe Limagrain Holding, for a total of 1.9 million euros in 2003-2004.



#### The use of advanced technology

Creating new, more efficient varieties all starts with the wealth of genetic resources that are crossbred by breeders. The effective use of these resources requires extremely sophisticated know-how.

In such a context, biotechnology represents a wonderful time accelerator, as does the expertise of researchers. Conventional breeding studies plant characteristics by observing their external manifestation. Genomics goes much further: using advances made in molecular biology, bioinformatics and high speed sequencing, it can draw up a full catalog of their genes, and understand their function and interactions.

All such data, that are made available to breeders, constitute precious tools for improved performances in plant breeding.

Any future progress will depend on continuing control over these genetic advances, which represent a fabulous potential for the years to come. Vilmorin Clause & Cie's participation in Keygene, a Dutch company working in biotechnology and plant genomics, has considerably extended these resources since 2001.

## Breeders, creators of wealth

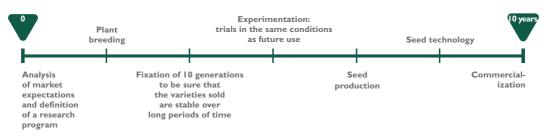
Breeders hold a strategic position in the wealth creation process; they must adapt varieties to changing market requirements and to agri-food industry standards. They base their decisions on the knowledge they have acquired in different scientific disciplines and the information base they have concerning the markets.

In the initial stage, breeders use the Vilmorin Clause & Cie genetic collection to identify any interesting complementary characteristics in two or several plants of the same species. They then perform a succession of crosses on this germplasm to create a new variety. In order to do so, they generally call upon knowledge from different life science disciplines: genetics, physiology, agronomy, pathology, biometry, etc. Then they sow the seeds from this new plant and select the best descendants. These will give birth to a new variety with more interesting characteristics than the previous generation. It takes between 7 and 10 years to create a new variety from the period market expectations are analyzed up to the marketing launch.

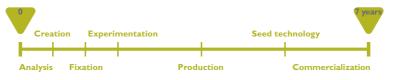
So breeders play a major role in the creation of value: more than 83% of the Professional sales of Vilmorin Clause & Cie are made up of products that are the fruit of their creativity and know-how.

The example of cauliflower: prospective analysis (average figures)

#### MOLECULAR MARKING: A CONSIDERABLE GAIN IN TIME FOR PLANT BREEDING



With Keygene biotechnology: acceleration of the variety collection study and breeding periods



#### Innovation for the benefit of consumers

It is not just in variety breeding that Vilmorin Clause & Cie expresses its potential for innovation.

Through its control over all the successive processes, Vilmorin Clause & Cie can take different customer expectations into account throughout the full product manufacturing chain. In this way it can offer all its customers the best solutions in terms of quality, safety, traceability and convenience.

All the companies in the Professional and Home Garden divisions have their own Innovation Committees whose vocation is to find new ideas and new products, which will become the true innovations of tomorrow.



#### The innovation process at Oxadis

Most of the services offered by Oxadis, whether of a commercial or industrial nature, are linked up with the marketing teams within the Innovation Committee whose aim is to create and produce new products or packaging improvements.

Among the latest innovations recently marketed you can find Vilmorin seed pellets, and seed strips or mats: so gardeners who are concerned to work economically and efficiently can now sow out the right number of seeds, and obtain regular depth and the ideal distance between the seeds. Thanks to this technique, they can benefit from more efficient sowing.

At the same time, Vilmorin Clause & Cie is <u>constantly looking</u> <u>to work closely with consumers</u>, providing them with information and help through:

> the provision of new, safer packaging that is more practical and informative to help them in their choice and use of products,

> setting up communication channels to listen to customers and ensure a quality after-sales service.

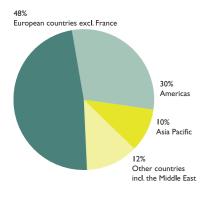


## International growth, a priority objective

Vilmorin Clause & Cie generates nearly 70% of its business outside France, and is directly present on all the main European, American and Asian markets. It has identified the internationalization of all its business, whether Professional or Home Garden, as one of the pillars of its strategy.



BUSINESS ON A TRULY
INTERNATIONAL SCALE
80% OF WHICH IS MADE UP OF SEEDS:



Breakdown of international sales (%)

### Accelerating a worldwide approach

In the next fifty years, our planet will be home to ten billion inhabitants, of whom more than two thirds will be living in Asia. Also over the next fifty years, humanity should be consuming twice as much food as it has consumed since the beginning of its existence. So international development really does appear to be vital. Accordingly, Vilmorin Clause & Cie has attained new decisive stages over the past fiscal years through:

- > external growth operations (Sperling in Germany, Hazera Genetics in Israel, Kyowa Seeds in Japan, etc.),
- > and partnerships (Keygene in the field of biotechnology, DLF for the production of lawn seed).

### International development at the heart of strategy

Opening up to international markets is a necessity for all the main aspects of company business. This is why over the past thirty years, the different teams working for Vilmorin Clause & Cie have been traveling regularly across a hundred countries in all continents:

- > <u>for research</u>, to set up research and experimentation stations that will enable the company to:
- diversify genetic resources,
- adapt products to its markets,
- test growing conditions.
- > for agronomic production, in order to discover new production zones and thus:
- provide a better spread for climatic risks,
- use the know-how that is specific to certain crops,
- optimize the economic conditions for production.
- > <u>for sales</u>, in order to develop business, and thus:
- use wider markets to amortize investments in innovation and marketing,
- get the best possible payback on products from research,
- anticipate, and then meet demands.

The philosophy behind this development has always been that of listening and learning, respecting everyone's specific characteristics, and taking into account the full dimension of cultural differences. This is particularly reflected in the decentralized organization of Vilmorin Clause & Cie, of which one of the key principles is autonomy for the subsidiaries.

More than ever before, Vilmorin Clause & Cie will make sure that this diversity will be even further <u>enriched in the future</u>.

#### Vilmorin Clause & Cie and Asia: a development strategy with a steady rhythm

With a value that is estimated at just over one billion euros, the Asian market today represents about 50% of the Professional potential targeted by Vilmorin Clause & Cie.

The population is rising fast in this part of the world, and an improved standard of living is leading to diversification of food habits, with more vegetables being eaten.

Vilmorin Clause & Cie first showed its interest in Asia at the beginning of the 1980s, when it purchased a minority stake in the company Mikado, in Japan.

Over the past 20 years, business development has accelerated in Asia, reaching the figure of 10% of international sales. This significant breakthrough has been achieved through two development patterns: either by organic growth starting from scratch, or by external growth by purchasing stakes in existing companies in partnership with their shareholders.

The main areas targeted by Vilmorin Clause & Cie are, in order of priority:

- > Japan because of the value of the market. Thus, in 2000 Vilmorin Clause & Cie strengthened its positions by purchasing a stake in Kyowa. Today, it is in the process of optimizing organization by encouraging a closer working relationship between Kyowa and Mikado, a consolidation stage prior to taking up other external growth opportunities.
- > <u>China</u> because of its obvious potential. Through Hazera, Vilmorin Clause & Cie produces and sells seeds to China and runs seed production partnerships for other companies such as Clause Tézier, Harris Moran and Vilmorin / Nickerson Zwaan.

For Vilmorin Clause & Cie, prospecting the Chinese market is a priority, but to be approached with some caution: investment projects are handled in accordance with the company's capacity to comprehend the markets, remain in control of its development and protect its own technology.

> Southeast Asia and Australia. At the end of the 90s, Vilmorin Clause & Cie set up sales offices in Thailand, and then in Indonesia, which have since been converted into subsidiaries (Marco Polo Seed). Most of the business concerns research and experimentation programs to adapt varieties such as pepper, melon or watermelon to the conditions of the Indonesian market. In this area, Vilmorin Clause & Cie is planning to develop other research partnerships with local operators. Meanwhile, the business set up in Australia with Henderson means that it can extend its Asian network through a company in the Southern hemisphere.



> Finally <u>India</u>, a high potential market, but more segmented and less controllable in terms of pay back on innovations. Vilmorin Clause & Cie operates on this market through its two distribution subsidiaries, Nickerson Zwaan and Clause Tézier for very specialized activities.

With a high level germplasm and a good knowledge of the markets obtained from teams that are mostly composed of local employees, Vilmorin Clause & Cie has the right organization to be able to develop rapidly in the most populated area of the world.

# A sales and marketing approach in direct contact with the field



Vilmorin Clause & Cie favors close proximity to its different markets. This is the reason behind its highly decentralized organization and malleable sales and marketing policies. This approach is also based on a well-balanced portfolio of brands, enabling it to develop high quality relations with both distributors and customers.

#### An efficient branding policy

The portfolio of brands is an essential aspect of Vilmorin Clause & Cie's heritage in that supply can be adapted to the geographical constraints and extremely varied distribution channels.

These brands are all owned directly by Vilmorin Clause & Cie's subsidiaries. Those of the Home Garden sector, in particular, benefit from an excellent image and reputation, because of their longstanding success and notoriety, but also because they are felt to be very close to local markets. Information on the specific needs of such markets are collected directly, and they can be satisfied more easily through the combined efforts of marketing and research.

<u>Vilmorin Clause & Cie is constantly striving to enrich and fully exploit its brands</u>. This is achieved through:

- > expertise in trade marketing that is recognized by distributors,
- > permanent updating of point-of-sale merchandising,
- > specialized communication media targeted at Professionals: advice, technical documentation, etc.
- > powerful advertising aimed at the Home Garden market. These mainly concern special offers that generally come out in spring, using a variety of media: specialized press, point-of-sale information and publicity, websites, catalogs, etc. Vilmorin Clause & Cie's Home Garden companies also devote some of their business to specific brand names reserved for distribution chains or private label.

## A portfolio of prestigious brands

> Home Garden market:

Abondance, Aimé, Carters, Clause, CNOS, D.M. Ferry, Dobies, Ferndale Lodge, Ferry's, Ferry Morse, Flora Frey, Freya, Garten Perle, Geissler, Lilly Miller, Scala, Source of Nature, Sperli, Suttons, Tézier, Tyrol, Vilmorin, Vita.

> Professional market:

Abondance,
Clause,
Ferry Morse,
Harris Moran,
Hazera, Henderson,
Kyowa, Marco Polo,
Mikado, Niagara,
Nickerson Zwaan,
Premium, Tézier,
Top Green,
Vilmorin, Vita.



Vilmorin, a new identity based on essential values: history and heritage, research and innovation, humanism and social advance, art and culture.

#### A facelift for Vilmorin

In order to get more value out of its portfolio of brands, Oxadis has just completely redefined its marketing strategy. This repositioning, which came into effect in the fall of 2004, concentrates mainly on the emblematic brand name Vilmorin.

With a new logo, new packaging, a reinforced position at the top end of the market, Vilmorin is now defined as the leading Home Garden brand.

### Expertise in relations with distributors

Vilmorin Clause & Cie develops relations with distributors that go far beyond the simple marketing of products. This ongoing undertaking is an important vector in its commercial strategy.

> The Professional Division either distributes directly or through independent distributor networks. These are exclusive and allow Vilmorin Clause & Cie to be well represented in the field and fully defend its varieties against competing products.

<u>Solid partnership relationships</u> have been woven with networks of distributors and clients: importers, wholesalers, retail distributors, market gardeners, etc., and these contacts are a real fulcrum for greater penetration of local markets. Vilmorin Clause & Cie also provides technical and marketing support for its clients: trials of new products, promotion, launch, etc.

> With respect to the Home Garden Division, Vilmorin Clause & Cie is constantly seeking cost optimization for inventories, orders and deliveries. Such efforts to improve performances at points-of-sale, have led Vilmorin Clause & Cie to invest heavily in information and communication technology tools, both for the management of processes and

for recording orders. For example, automatic computer assisted machinery can help to organize work and ensure that orders are met quickly and fully.

The implementation of category management, which is the joint management of a "category" (for example the outdoor plant category) by a distributor and a supplier is another move in the same direction. The aim of this process is to encourage the



joint interests of these two protagonists, while improving consumer satisfaction, but also profitability for the store and the supplier.

This approach, which is original on the "nature" market in France, gives a real competitive edge, and clearly demonstrates the professionalism of Vilmorin Clause & Cie's expertise in its relations with distributors.

All these pooled resources mean it is possible to get new custom with trading groups and strengthen the company's positions as an international supplier.

Vilmorin Clause & Cie is thus able to meet two fundamental challenges:

> to look at marketing with greater flexibility and reactivity, adapting to distribution circuits and prevalent consumption habits.

> to get more from its own lines while developing a panel of private labels and special offers.

## Interview, an original data base for the amateur gardening market.

The software Interview is a precious tool for Oxadis in its relations with distributors. It integrates the stock situation on the shelves of some 4 000 points-of-sale, whatever the brand, and provides analyses crossing the sales data with the merchandising adopted. Once this data has been extrapolated, it can be used as a base to build up real decision support tools: sales arguments for trading groups, management and results trends, marketing and merchandising analyses.

#### Listening to customers

Proximity is the foundation stone on which Vilmorin Clause & Cie bases its relations with its customers. A precondition for lasting relationships is high quality dialog, which comes from:

- > decentralized organization,
- > local contacts through attentive sales teams,
- > the right tools set up to encourage communications.

As an example of this, the high degree of technology required to cultivate professional seed crops is systematically accompanied by a great deal of user-advice.

Internally, the implementation of a global information system (ERP) is part of the same approach: it facilitates access to information that provides more accurate and faster assessment of any customer relation situation. An increase in the level of Vilmorin Clause & Cie's reliability and speed in problem solving depends on the day-to-day management of this type of information.

## Anticipating through risk assessment

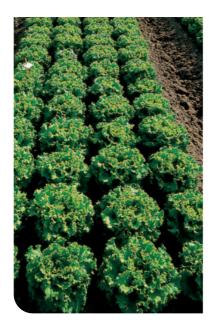
The highly seasonal nature of the business, relative dependence on the whims of nature and high tech processes are just some of the risk factors that Vilmorin Clause & Cie has to take into account.

Applying vigilance and rigor at all times, Vilmorin Clause & Cie has always shown its capacity to carefully assess all these risks and take all palliative measures, using the right procedures to monitor and measure them.

## Risks with regard to agronomic production: the central role of the production plan

The production plan conditions the appropriate supply of markets, and also control over inventory levels. In particular, it takes into account market needs, the life span of each variety, figures concerning the previous production, and a study of the potential impact of weather conditions. Sales shortfalls and overproduction both depend on how these parameters are assessed.

This is why <u>validation of the agronomic production plan is the main responsibility</u> of companies that work in the Professional Division. The production plan is run by the Production Manager, and confirmed by the General Management in each company, and then by the Manager of the Professional Division. The decentralized organization adopted by Vilmorin Clause & Cie is fully justified by the need to prepare these production plans, and the specialized nature of the teams working with different species.





## Climate and weather risks: diversifying the location of facilities

It is possible to share out and limit the inherent risks of meteorological uncertainty by locating production areas, and research and experimentation sites, both in the Northern and Southern hemispheres.

In terms of production, this diversification of sites throughout the world is also a prerequisite because of the highly seasonal nature of this business and the specific needs of the different species. It means that Vilmorin Clause & Cie can benefit from substitution production areas in order to respond quickly and efficiently to variations in market requirements.

The production of seeds at Vilmorin Clause & Cie is spread out over fifteen production sites in the five continents, including France, Chile, Thailand, China, Australia, and the United States. The 54 research sites are also spread out over the five continents.

Vilmorin Clause & Cie conducts research into climate variability too, for the development of varieties that are less demanding in water and heat, resistance to insects and viruses, etc.

## The risks involved in processing: permanent control

Any malfunctioning in the process adopted by Vilmorin Clause & Cie may have really dire financial circumstances. In the event of any error, the claims lodged by the Professional clientele would concern not just a reimbursement of the value of the seeds, but also the global value of the expected harvest.

In order to prevent such a scenario, Vilmorin Clause & Cie is intransigent on the quality and traceability of its seeds. Rigorous procedures are set up in terms of quality control, and efficient human and technological resources, right from the time each variety is created until it is sold:

- > DNA analysis of certain seeds can now provide assurance as to the purity of a variety more quickly than before.
- > Each of the different stages in processing, from cleaning to packaging, involves a succession of rigorous processes. They mean that Vilmorin Clause & Cie can guarantee:
- the purity of the varieties and their high technological value: using its mastery of seed technology, the company applies sophisticated processes to successfully complete the different seed processing stages,
- conservation of all the germination qualities of the seed: highly efficient dryers are used in each factory to dry seeds with extreme accuracy. The right balance of atmospheric humidity is thus ensured. Furthermore, storage rooms for raw materials and finished products are controlled for temperature and hygrometry.
- Coating seeds for efficient sanitary protection

- efficient sanitary protection against disease and insects and automated sowing, using the pelleting and coating techniques developed by the teams at Vilmorin Clause & Cie.
- > Finally, engineers and technicians at Vilmorin Clause & Cie lay down specifications, and make sure they are respected throughout a network of farmers responsible for multiplying the seed.

The rigor and rhythm of these control procedures guarantees the traceability of production and reinforces Vilmorin Clause & Cie's reputation for outstanding reliability with its customers.



#### Political risks: constant vigilance

The worldwide presence of Vilmorin Clause & Cie means that these risk factors need to be taken into account in investment decisions and in the location of industrial, technological and commercial assets.

The context of international tension in recent years, particularly in the Middle East, has not affected Vilmorin Clause & Cie in its international business.

## Monetary and funding risks: specific management tools

Conducting business in all five continents, Vilmorin Clause & Cie limits foreign currency risks by restricting exchange operations mainly to the euro, the dollar or the yen.

With the support of Limagrain, Vilmorin Clause & Cie has a well-oiled set of forward coverage tools at its disposal both for interest rates and foreign currency as part of its coordinated financial management.

As far as <u>forward covering of foreign exchange risks</u> is concerned, Vilmorin Clause & Cie has, in conjunction with Limagrain, set up a mutual management system for the main currencies used, enabling each subsidiary, at the beginning of the fiscal year, to cover its transactions at a guaranteed fixed rate as part of a predetermined budget.

Similarly, with regard to the <u>management of funding and the forward cover of interest rate risks</u>, Vilmorin Clause & Cie, again in conjunction with Limagrain, manages its cash-flow needs or surpluses, for purposes of consolidation, and for each geographical zone, with reference to market conditions and respecting the autonomous management of each of the subsidiaries. Forward cover operations for interest rates are handled by Groupe Limagrain Holding, which takes out insurance for the risks.

## Adoption of the new international accounting standards (IFRS): an ongoing project well under control

Transition to the IFRS/IAS standards is part of a work program spread over several years, and begun in 2003.

This program specifically includes a definition of the standards for the Group with reference to the new standards, and an interpretation of differences noted in relation to currently applied standards, and also adaptation to the reporting systems (budgeted and actual) in the new standards.

These measures are naturally being accompanied by the necessary training in all the departments concerned.

The main topics that have been dealt with up until now are the valuing of intangible assets, leasing contracts, staff benefits and the definition of sales.

Vilmorin Clause & Cie will open its balance sheet on July  $I^{\rm st}$  2004 in accordance with the new standards, with the deadline for publication using these standards fixed at December 31st 2005 for the half-yearly financial statements, and June 30th 2006 for the annual financial statements.



Risks concerning the protection of innovation: strict respect of regulations

In Europe, before marketing vegetable seeds, prior registration for the variety in the official national and European Catalogs is required, in accordance with national and European procedures. In France, the registration of vegetable species varieties in the official Catalog is subject to technical registration regulations, approved by the ministerial decree of March 21st 1986. The European Catalog for vegetable species varieties is published in compliance with the Council Directive 70/458/CEE of September 29th 1970 concerning the sale of vegetable seeds. Outside the European Union there is no systematic requirement to register varieties in the official Catalog. In the United States, for example, there are no catalogs or tests, but there is breeding protection through the Plant Variety Protection Act.



### Risks concerning choices in research: sharing out investment wisely

With the onset of biotechnology and the outstanding perspectives that it opens up in the short term, Vilmorin Clause & Cie has moved ahead with strategic, financial and organizational choices.

It has decided to maintain most of its investment in conventional breeding, which represents some 80% of investment in research. At the same time, the company is going further with more advanced tools:

- > fundamental research,
- > transgenesis,
- > molecular marking.

These proportions will ensure that Vilmorin Clause & Cie can develop new products more quickly, and will also provide it with competitive advantages and the solid foundations required for its future development.

#### Risks regarding clientele: a wide portfolio of customers

As a % of consolidated sales	01-02	02-03	03-04
Weight of the top			
5 customers	12.4%	12.1%	11.0%
Weight of the top			
10 customers	20.9%	18.6%	18.0%

Vilmorin Clause & Cie's main customers are the major European and American Home Garden distribution chains. Trends towards more and more concentration in distribution explain the weight of the top customers.

- > With such a diversified portfolio of Professional customers, Vilmorin Clause & Cie can limit the consequences of any loss in business with some of them.
- > Such risks also appear to be limited in the Home Garden sector: Vilmorin Clause & Cie benefits mainly from long-standing partnerships, with commitments and multi-year contracts with the distribution chain stores.

## Risks regarding suppliers: a well-tested network of farmers to multiply seed

To produce its seeds, Vilmorin Clause & Cie makes use of an international network of rigorously selected farmers multiplying seed; they work either in direct contact or through production companies.

A contract system has been set up in which <u>Vilmorin Clause</u> & Cie retains ownership of the seed, and remains totally <u>independent economically</u>.

The contract contains a series of specifications defining all the conditions and objectives laid down for production:

- > the surface area for production,
- > the quality,
- > the purchasing price of the seed with fixed or variable parameters (mainly linked in to the quality),
- > the schedule of operations required: sowing, upkeep, manual or chemical castration, manual pollination, harvesting > the standards of input to be used.

Monitoring and control of farmers' production are run by Vilmorin Clause & Cie's teams of engineers and technicians.

This network of competent, reliable operators ensures that Vilmorin Clause & Cie is guaranteed permanent access to high quality seeds at the best possible prices.

## Insurance and risk cover policy: permanent optimization

Working in conjunction with Limagrain, Vilmorin Clause & Cie has set up insurance policies that consist in the widest possible cover of the risks faced by the different companies, in order to preserve their assets and responsibility. This cover is insured through different group policies applied to most companies, with the following characteristics:

Consequential and operating loss

The contractual compensation limit has been fixed at a maximum claim of 152 million euros. This limit applies to each claim and each facility.

• General public liability and products liability

This policy is intended to cover liability both before and after delivery, with a 15.25 million euro compensation limit per claim, and a fixed annual ceiling of the same amount for liability after delivery.

• Professional third party liability

The professional economic environment of Vilmorin Clause & Cie is characterized by complex contractual relationships, as product development requires the use of more varied and sophisticated technologies, and as intellectual property issues grow more complex too (protection through patents, plant breeders' rights, infringement risks, etc.). To deal with this evolution, Limagrain has set up a group insurance scheme, intended to perfect the cover of specific risks in terms of public responsibility and intellectual property.

This insurance policy, which also includes Vilmorin Clause & Cie, a major player on these markets, covers risks of contractual liability and actions for infringement, whether of brands, patents or plant breeders' rights.

The policy is valid for five years as from July  $1^{\pi}$  2002. The capital insured amounts to 43 million dollars for the aggregate of all claims over this period.

 Public responsibility of the company's representatives

This guarantee covers the management and settlement of any damages resulting from a claim that calls into question the personal public liability or joint and several liability attributable to professional misconduct committed in the exercise of the managers' functions.

It concerns the jure or actual managers of any subsidiary in which Vilmorin Clause & Cie holds a stake of more than 50%, whether in France or any other country.

The compensation limit is 25 million euros.



Certain risks are the result of regulatory constraints or specific situations in certain countries which require customized insurance policies. This is the case for the companies Harris Moran and Ferry Morse in the United States, and Flora Frey in Germany.

• Litigation and arbitration

To the company's knowledge, there is no litigation, arbitration or exceptional fact that is liable to have, or has recently had, any significant repercussions on the financial situation, the income, the business or the assets of Vilmorin Clause & Cie and its subsidiaries.

## Managing so everyone is committed

Marrying autonomy and responsibility in human resources, cultural diversity and acceptance of a common strategy: the decentralized organization of Vilmorin Clause & Cie is part of the search for this balance.

#### The principle of autonomy

Just as Vilmorin Clause & Cie's business is, by nature, conducted as closely as possible to the realities of the field, managing more than 2 800 employees all over the world means that <u>responsibilities are widely delegated to each subsidiary</u>. This holds, for example, with regard to recruitment: apart from the executive managers, Vilmorin Clause & Cie does not intervene in this area, which is left to be managed by the subsidiaries.

Moreover, for Vilmorin Clause & Cie, the skills of each employee are not only the fruit of scientific and technical know-how, but are also to a large extent the result of empirical knowledge. Performances are thus above all dependent on the sum of experience built up by each human being throughout the world. This is the reason why Vilmorin Clause & Cie encourages all its employees to take on a great share of autonomy and responsibility. This includes the control and definition of objectives, and is applied to research, the preparation of production plans and the commercial approach to the different markets.





## The Oxadis School: life-long training for each employee

The school created by Oxadis is an original concept that sets out to develop a corporate culture which is both shared and strong, to facilitate professional mobility and to build up teamwork and a long-term sense of belonging.

The Oxadis School caters for all categories and functions, proposing in-house training programs designed and delivered by the management. From induction courses for new arrivals to management training, this qualifying training scheme has six levels in all.

The training is organized so that self-assessment is possible, but also uses follow-up tools for assessing and measuring performance in the field. Ultimately, it is a way of developing a true Oxadian spirit that encourages the involvement and success of everyone.

#### A dynamic social policy

• Favoring employee profit-sharing and savings

The will to unite the different teams working in the Group, to encourage initiative and innovation, was the reason why Vilmorin Clause & Cie decided to adopt a profit-sharing scheme that goes beyond legal requirements. It is applied in each company, and at all levels of hierarchy, contributing to improving performance both in terms of quantity and quality, in all sectors of the organization.

Calculations of what is paid out are based on operating income, adopted as the best indicator of performance.

Over the past three fiscal years, amounts paid out through these profit-sharing schemes amounted to:

In K€	Legal and company profit-sharing schemes
01-02	2 704
02-03	3 392
03-04	4 832

Vilmorin Clause & Cie also has a <u>Corporate Savings Scheme</u> which is available to all employees too, with two exclusively reserved funds, one of which contains Vilmorin Clause & Cie shares. All operating charges are paid for, making the scheme even more attractive.

Nevertheless, Vilmorin Clause & Cie shares have not been made available to employees, since this option does not seem, for the time being, to be suited to the history and corporate culture of the companies in Vilmorin Clause & Cie.

Providence fund and health: efficient cover

In this area, Vilmorin Clause & Cie has set up interesting schemes for its employees, whether in the United States, the United Kingdom, or other European countries.

In France, for example, very early on it established a common system for all its employees, whatever their status and their subsidiary, so that they could benefit from solid guarantees. Thus, everyone benefits from high quality cover.

> In particular, the staff providence fund is attractive in that it provides 100% of the salary in cases of invalidity, and pays out a death-benefit twice the amount of capital paid in if the death was caused by an accident.

> The health scheme, which is mandatory for all employees, provides good cover to employees and their families. It is also possible to take up an additional contract with wider cover.

• A European Works Council

The European Works Council was set up after an agreement signed in 1999 within Groupe Limagrain, and is a body dedicated to information, communication and dialog between the General Management and the employees' representatives from the different companies, half of which are part of Vilmorin Clause & Cie.

The 25 members participate in two preparatory meetings, and all meet up together twice a year, even though only one meeting per year is laid down by European law. The meetings are an opportunity to exchange views on economic issues and the Group's main orientations. Reports of these meetings are drawn up and translated so they can be sent out to the different companies.

## Pre-retirement schemes to encourage employment for persons with difficulties

Right up until the end of 2004, all employees in Vilmorin Clause & Cie's main French companies over the age of 55 can benefit from a part time job: 50% of working time until retirement paid at 90% of the net salary. These pre-retirement schemes, signed with the local Department of Labor, state that the employer must hire one new employee for every two that benefit from pre-retirement, and a certain number of these new employees must belong to one of the employment priority categories (long-term unemployment, people with special needs, etc.). Because of the schemes, partnerships have been set up with companies specialized in social and professional integration.



#### Intercultural management

In a system that leaves so much room for initiative, the central role of Vilmorin Clause & Cie consists in encouraging a good communication flow between the operating units, not forgetting any systems that are useful in <a href="https://harmonizing.working.methods">harmonizing.working.methods</a> without actually standardizing them. Recognizing widely diverse international realities and contact between teams of different nationalities make a real contribution to enriching everyone's working practices.



#### The critical role of internal communication

Vilmorin Clause & Cie makes full use of all opportunities to strengthen the relations and cohesiveness between its teams. In order to do so, it uses conventional internal information tools:

- > informative group magazines and letters such as "F1", published in four languages for all the employees, or "Info +", which is intended for the top executives and the management executives,
- > company magazines such as "Croisement" for Clause Tézier, "ViaNova" for Vilmorin Nickerson Zwaan or "The Veggie Wrap" for Harris Moran,
- > an Intranet, etc.

On top of these media, <u>Vilmorin Clause & Cie regularly encourages direct staff events</u>. For example:

- > The top executives come together several times a year for seminars with information and an exchange of ideas in order to take stock and fine tune strategy and objectives.
- > There is a yearly meeting for all the executive managers, a time for information and exchanges of ideas.
- > Agora, a sales convention held in association with Limagrain, is organized regularly for the sales forces and marketing teams. It is a memorable experience of team building and performance assessment.
- > The internal Association of Researchers also organizes its own convention in order to exchange knowledge and to reward the best innovation projects of the year.

#### Management tools

- > With regard to remuneration, Vilmorin Clause & Cie has a pay management tool available for all its subsidiaries, which is the end result of a survey commissioned from a consultancy specialized in the employment of young people and in remuneration. This survey was conducted with all the executives at Vilmorin Clause & Cie with a minimum of three months' experience altogether. A similar survey has been planned for the executive managers in order to broaden the scope of this tool.
- > With regard to the management of skills, Vilmorin Clause & Cie has a career management tool developed in conjunction with Limagrain. This reference document describes the different roles and functions that exist in the company, and has been used by each company in Vilmorin Clause & Cie to draw up job definitions and vacant positions in a coherent manner.

## Developing while respecting the environment

Vilmorin Clause & Cie's vegetable seeds business involves research, production, processing and distribution. Even though the research and production activities are agricultural by nature, their impact on the environment is relatively insignificant bearing in mind the small surface areas involved throughout the world: in all, a few hundred hectares for research and around 10 000 hectares for production. As for the processing and distribution activities, intrinsically they do not pollute very much at all.

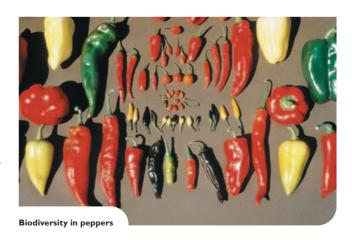
As part of the permanent analysis and optimization of all its processes, Vilmorin Clause & Cie systematically takes into account the potential environmental consequences of its business, thus showing it has a responsible vision of its development.

#### Committed to conserving biodiversity

With its collection of 10 000 varieties, 2 000 varieties proposed in its commercial line-ups, and 50 new varieties registered every year, Vilmorin Clause & Cie makes a practical contribution to the conservation of biodiversity. Continually enriched for 260 years, this substantial genetic heritage is one of the guarantees of the company's healthy future.

Furthermore, the creation of new varieties is the fruit of many years of work, work that must be rewarded fairly, which is why breeders' innovations need to be protected. In fact there are two diametrically opposed protection systems today:

- > Europe has chosen the Proprietary Variety Certificate system. This point of view states that if you want to breed a new variety from an already existing variety, you must pay out a royalty to the creator of this variety. This breeding protection gives total freedom to anybody to use the variety to breed new varieties. Each farmer can use the seed he has bought for his personal use, and even use it as farm seed the following years.
- > These principles are being called into question by an American-inspired patent system. In the United States in particular, plant varieties can be patented: in order to create a new variety, you must obtain authorization and pay rights, which means that further breeding may be blocked.



Just like most of its European colleagues, Vilmorin Clause & Cie is lobbying with all its influence in favor of the Proprietary Variety Certificate, which protects most of its varieties, as opposed to the principle of the "patentability of life". This question is still being discussed at the World Trade Organization.

## Using research to limit the use of agrochemical products

For several years, the breeding of varieties that are resistant to fungi, bacteria, viruses and insects is part of Vilmorin Clause & Cie's major research orientations. These resistances result in a significant drop in needs for insecticides and pesticides. Among the most significant contributions made by Vilmorin Clause & Cie in this field, one can find melon resistant to greenfly, tomato resistant to nematodes (parasite worms), several pepper varieties resistant to viruses, etc.



Vilmorin Clause & Cie's research departments also develop <u>varieties that use up less water</u>, so that this resource can be saved.

Using seed technology at the processing stage can protect the future plant and thus minimize agrochemical treatment throughout its life.

## Active involvement in inter-professional bodies

Vilmorin Clause & Cie plays an active role in discussions on the use of biotechnology for scientific research. It is very much involved in consultation committees that work with all those linked to the world of agriculture to investigate the impact on society of the development of plant biotechnology. The aim is to make information available to citizens so that they can form their own opinions, and at the same time, to promote the emergence of clearer, better balanced rules.



### Strict exhaustive controls

Approved installations

With regard to installations that require specific approval, all Vilmorin Clause & Cie's business, wherever it is located in the world, rigorously respects regulations. For example, Vilmorin SA's activity at its site in La Ménitré (northwest of France) is subject to approval in several areas, including the storage of com-bustible materials in covered warehouses, since they are larger than 50 000 m<sup>2</sup>.

Regulations regarding biotechnology

With regard to biotechnology, Vilmorin Clause & Cie is active in three main areas:

- > genomics, which is fundamental research,
- > molecular marking, i.e. applied techniques,
- > transgenesis, a technology used to create Genetically Modified Organisms (GMOs).

Vilmorin Clause & Cie participates in research on transgenesis, and this is indispensable to improve its knowledge in plant breeding, and it runs this research in conjunction with its main shareholder, Limagrain. However, Vilmorin Clause & Cie does not sell GMOs.

All this research is performed in <u>strict compliance of European and international legislation and regulations</u>, intended to prevent any damage that might result from the development of life science and technology. In France, for example, Vilmorin Clause & Cie has authorization from the Genetic Engineering Commission for research work in laboratories and greenhouses.

Vilmorin Clause & Cie scrupulously respects the principle of precaution, paying particular attention to responsibilities that are liable to come into play through the dissemination of GMOs and to the protection of consumers and their environment.

# Strategy: combining development and responsibility



#### A limited impact on the environment

- Consumption of water, energy and fuel
- > Given the modest surface areas cultivated, both for research and production, Vilmorin Clause & Cie consumes little water.
- > Even though it also consumes relatively little energy; Vilmorin Clause & Cie is beginning to integrate energy consumption limits in its industrial specifications: this is already the case, for example, for the most recent research sites, where centralized greenhouse monitoring means real savings in energy.
- > Fuel consumption is at a very low level.



• Air, water and soil pollution

Since the surface areas involved in its business are limited, the levels of pollution generated need to be put into perspective. Moreover Vilmorin Clause & Cie works from sites that its owns, and which are carefully monitored and serviced.

Vilmorin Clause & Cie's research does not pollute air, and the company also works to limit its discharge into water. In the greenhouses, for example, all the fertilizer-based solutions used are recycled and flow through a closed circuit. All the more recent stations recycle their waste water, using waste water recovery stations.

Moreover, several of Vilmorin Clause & Cie's companies have initiated biological control methods in the greenhouses (in order to fight disease and pests, insects are used that are antagonistic towards other insects that are liable to damage the crops). This leads to a spectacular reduction in the number of sprays.

As for agro-chemical products applied to seeds during processing with minimal doses, their application method has been studied to avoid any dispersion. Any risk of pollution is all the more limited as these treatments are only used in minute quantities: for example, Clause Tézier only uses a few hundred kilos of agrochemical products every year in all its sites combined.

Finally, the only activity which might be considered as liable to pollute, the production and storage of fertilizers and agrochemical products sold by Oxadis, is today wholly contracted out to suppliers that respect the regulations in force in the authorized plants.



#### Waste

Vilmorin Clause & Cie is careful to recycle as much of its waste as possible. Several of its plants, where greenhouse research is mainly done on substrates, have abandoned rock wool, and generally adopted coco fiber liners, which can be recycled, and are therefore more ecological.

- Packing materials
- > In the Professional sector, there has been a reduction in the quantities of packing materials used, mainly because of customers' growing preference for bags rather than metal boxes.
- > However, in the Home Garden sector, Vilmorin Clause & Cie uses fairly large quantities of cardboard and paper to pack and overpack its products. It is well-aware of this problem, and has taken a number of measures to reduce its consumption:
- single use packing cardboard, used from the time of packaging until delivery.
- reusable palettes: after being sent out to customers, these wooden palettes are recovered by the transport companies and taken back to the different plants.

Moreover, in compliance with legislation, Vilmorin Clause & Cie's companies systematically belong to packaging material recycling organizations such as Point Vert in France.

#### Öko Projekt

In Germany in 2003, Flora Frey obtained a certificate issued by the town of Solingen, certifying its performance with regard to respect of the environment.

This original approach, known as the "Öko Projekt", concerned about ten companies in the towns of Solingen, Remscheid and Wuppertal (in the region of North Rhine-Westphalia). Its vocation is to contribute to the conservation of the environment, reduce expenditure and provide the consumer with greater clarity.

And so a team of four people from Flora Frey ran the project for a year, starting with an audit of what already existed, with suggestions on points for improvement and a regular monitoring and reporting system.

This meant going much further than respecting legislation in force, with a special effort required to develop staff awareness, and deal with topics such as:

- > water and energy consumption,
- > a reduction in waste and recycling,
- > limiting discharges,
- > transport,
- > contact with the neighborhood.



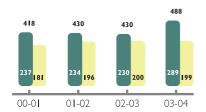
## A dominant position on two growing markets

Vilmorin Clause & Cie holds dominant positions on two markets that are constantly progressing:

- world leader for seeds intended for the Home Garden market,
- second in the world for seeds sold to the Professional market.

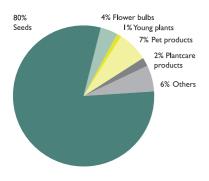
PROFESSIONAL AND HOME GARDEN SALES, A WELL-BALANCED SPLIT: Professional/Home Garden

Professional
Home Garden



Breakdown of sales (excluding service provision) Professional / Home Garden (M€)

VEGETABLE SEEDS,
CORE BUSINESS SUPPORTED
BY NEW ACTIVITIES:



Breakdown of sales per product (%)

On the Home Garden outdoor leisure market, the company achieved sales of 200 million euros in 2003-2004.

The market for agri-food Professionals (market gardeners and processors specialized in canning, deep-freezing and freeze drying) made sales of 292 million euros in 2003-2004.

Seeds constitute the mainstay of the company's activity, with more than three-quarters of total sales. Vilmorin Clause & Cie also makes full use of the reputation of its brands to provide home gardeners with products for which it ensures exclusive procurement, packaging, marketing and even distribution: flower bulbs, chemicals, fertilizers, compost and soil improvement, young plants, pet products, etc.



Three main factors can explain the growth of the markets which Vilmorin Clause & Cie work in:

- > the development of outdoor leisure activities.
- > the evolution of food habits, with increasing consumption of fruit and vegetables,
- > the increasing world population.

## A new dimension for the Professional Division

On a world market in constant, regular progression, Vilmorin Clause & Cie is pursuing a dynamic development strategy, making full use of the leverage of organic growth, and also a targeted policy of external growth.

The takeover of Hazera Genetics in July 2003 has provided the Professional Division of Vilmorin Clause & Cie with a new dimension, providing the means to broaden its development ambitions.

## The Professional Division in 2003-2004

For the Professional Division the fiscal year 2003-2004 was one of excellent performances by all the operating business units, and will quite naturally be remembered for the successful integration of the Israeli company Hazera Genetics.

At the same time, it is important to highlight the extension of scientific and technological partnerships set up through Keygene, the intensification of international development for all the operating units, and an acceleration of the flow of new products coming out of the different research programs.

In a competitive environment that is tending to become more concentrated, Vilmorin Clause & Cie can therefore clearly state that it has good reason to expect that its Professional Division will play the leading role.



• Key figures for the year's business

In M€	01-02	02-03	03-04
Sales (I)	234	230	289
Capital expenditure	7	10	10
Headcount on June 30th	1 423	I 479	1803

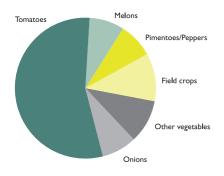
(I) Excluding service provision.

 Contribution of the operational subsidiaries to consolidated sales

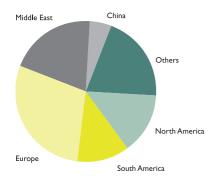
Sales of goods in M€	01-02	02-03	03-04
Clause Tézier	59.2	86.4	96.2
Vilmorin	51.9	54.8	59.2
Harris Moran Seeds Inc	63.5	58.5	58.5
Hazera Genetics Ltd	-	-	49.0
Nickerson Zwaan	28.2	29.2	30.9
Kyowa Seeds	28.5	23.8	21.1
Henderson Seeds JV	1.8	1.8	2.5
Marco Polo Seed	0.1	0.2	0.4
Tézier	30.3	-	-
Intercompany			
eliminations	- 29.5	- 24.2	- 28.4
<b>Total Professional</b>			
Division	234.0	230.5	289.4

# Evolution of business and markets

#### HAZERA, SALES PER PRODUCT:



#### HAZERA, SALES PER REGION:



### International development as a common denominator

New milestones were achieved in 2003-2004 in the international development of business in the Professional Division.

Besides their traditional export markets which are now integrated in the European Union, Vilmorin, Nickerson Zwaan and Clause Tézier have strengthened their positions in the Mediterranean Basin and South America, either through exclusive commercial partnerships, or through the creation of their own distribution companies. As for Harris Moran, it is reaping the full benefits of the investments it made in 2003 on the Mexican market. Renamed Semillas Harris Moran Mexicana, its subsidiary made great strides forward in its business (sales multiplied by seven in just one year) and is forging a position as a top level operator in an essential basin for the supply of fresh vegetables for the United States and Canada.

Finally, in Asia, China has now become an absolute must for prospecting by all the operating units in the Professional Division, particularly for production operations.

## Hazera Genetics - a major acquisition and successful integration

In an extension of the alliance finalized in 1998, Vilmorin Clause & Cie took majority control of the Israeli company Hazera Genetics in July 2003, one of the main tomato seeds businesses in the world.

This acquisition, which was achieved with the full support of the other shareholders in the company, has pulled the Professional Division of Vilmorin Clause & Cie up into second position in the world, providing access to a multitude of skills and new resources.

The results achieved by Hazera at the end of its first fiscal year as part of Vilmorin Clause & Cie are confirmation that this was a wise investment. Over and beyond its financial performance, during this first year of integration, Hazera has opened up numerous perspectives for collaboration with its new sister companies both in terms of research and in the fields of production and distribution.

## Accelerating innovation for greater future security

All the operating units in the Professional Division continued to extend their commercial line-ups with numerous products during the fiscal year 2003-2004.

The intensification of this innovation flow is proof of the quality of the work achieved upstream both by the marketing and development services, and by all the research teams. It means that each company will be able to win over new market shares, as can be shown by the increases in their shares to a level higher than market growth trends.

This richer product portfolio has also enabled the Professional Division to schedule its marketing launches and innovation rates more efficiently, and thus secure the creation of value in the medium term.

By June 30<sup>th</sup> 2004, the percentage in Professional sales of products from Vilmorin Clause & Cie research programs had reached 83%.

#### Market trends

#### A market which is highly concentrated for operators, but very scattered in terms of products

The market for vegetable seeds has become much more concentrated over the past ten years, yet in terms of species the sector is very scattered, and there is a preponderance of certain operators in specific areas.

The fruit and vegetable market, which most of the seed companies' clients are working in, is characterized by:

- > a large number of different species,
- > a high number of production units with all kinds of production infrastructures: open field, cold or heated greenhouses, etc.,
- > a wide diversity of production areas,
- > a very wide range of varieties in order to cover all the sales possibilities, from production in season to counterseason.

This context means it is very difficult to obtain regular, reliable up-to-date information on the value of the market, both in Europe and worldwide.

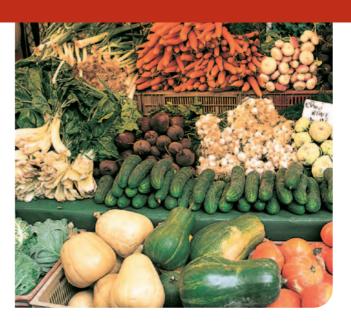


#### A market avid for innovation

The market is highly sensitive to the evolution of consumer food habits and the agricultural context.

But it is mainly dependent on what comes out of research: professional clients are always on the look-out for new varieties with better performances.

In this respect, being world leaders on a specific market segment means it is very difficult for new operators to enter the fray: the influence of any technological breakthrough from the competition is limited by a leader that is maintaining its investment in research while controlling distribution.



#### Increased consumption of fruit and vegetables

Over the last ten years, world consumption of fruit and vegetables has increased regularly. This trend is due to two reasons:

> In developing countries, to a large extent because of the increase in population and the evolution of the standard of living. This evolution has lead to greater diversification of eating habits, and in turn to greater consumption of fruit and vegetables.

> In developed countries, where there is no real population increase, there is an emphasis on questions of health, safety and the environment. The evolution of food habits is tending towards an increase in the consumption of fresh fruit and vegetables.

#### An increase in farmed acreage

According to statistics published in 2001 by the FAO, since 1990 the surface area used to grow vegetables throughout the world has risen by 46% to reach 25.8 million hectares. During the same period vegetable production has increased by 63%.

#### The displacement of production areas

The market for fresh vegetables, and also for vegetables intended for processing, are both gradually being displaced towards other production areas:

> towards southern Europe and North Africa for the European market for fresh produce,

> towards Mexico for the North American market for fresh produce,

> towards eastern Europe for the European market for products intended for industry.

This is because there is a preference for regions where costs are lower, just as market gardeners try to find areas better suited to early production conditions. In these regions it is possible to lengthen the period when products are available and to produce out of season.

## Evolution of business and markets

#### The competitive environment

#### A high level of concentration

The different steps taken towards concentration over the past few years have significantly strengthened the size and power of the main operators in this market.

Currently the top five operators represent almost threequarters of the world market for sales of vegetable seeds. They are all integrated and have all developed a significant level of research.

On the basis of internal information at Vilmorin Clause & Cie, the main operators working in the professional sector are listed in the following table with, for each one, an estimate of their volume of business:

Grou	ps	Countries	Sales of vegetable (M\$) (1)
I	Seminis	United States	461
2	Vilmorin Clause & Ci	e France	323
3	Syngenta	Switzerland	301
4	Takii	Japan	173
5	Bayer Crop Science	Germany	171
6-10	Sakata	Japan	<150
	Rijk Zwaan	Netherlands	
	Вејо	Netherlands	
	De Ruiter	Netherlands	
	Enza	Netherlands	

(I) Base 2003-2004: I Euro = 1.20 USD and I Euro = 130 Yen. (Sources: internal publications and Vilmorin Clause & Cie estimates).

Generally speaking the vegetable seeds market involves three types of operator:

- > <u>Industrial groups from the agrochemical sector</u>. Just like Syngenta, they have a field seeds division and/or a vegetable and flower seeds division.
- > <u>Specialized seeds groups</u>. They develop most of their business on the seeds market, for example Seminis, Takii, Sakata, Vilmorin Clause & Cie, etc.
- > <u>Family businesses</u>. Such companies (De Ruiter, Bejo, etc.) have been specialized, for several generations in seed research, production and distribution, and frequently operate on their domestic market.

### Development achieved essentially through external growth

Over the past ten years the major operators have gained market shares on a world scale, mainly through external growth. The importance of research and the time necessary to get payback on investments have justified all these concentrations of companies.



## Confirmed position of leader on the Home Garden market

On a market that continues to benefit globally from sustained growth, Vilmorin Clause & Cie is pursuing the consolidation of its business. With Home Garden sales of 200 million euros in 2003-2004, Vilmorin Clause & Cie has confirmed its position as world number one on the Home Garden market for outdoor leisure activities.

## The Home Garden Division in 2003-2004

The Home Garden Division ended the year 2003-2004 with highly contrasted results in its operating companies, but nevertheless confirmed its position as world leader.

These performances are the result of a successful sales campaign, both in the fall and spring, in reasonably favorable weather conditions, with the exception of Northern Europe and the United Kingdom.

Each of the operating companies persisted with the work begun in previous years to diversify or extend its line-ups and launch new products. Furthermore, the policy of pooling certain functions (procurement, information and logistics techniques, etc.) and the consolidation strategy were given a new dimension by an external growth operation through the acquisition of the German company Carl Sperling & Co.

Strengthened by all these projects, the Home Garden Division is now ready to open up to new development perspectives.

• Key figures for the year's business

In M€	01-02	02-03	03-04
Sales (I)	196	200	199
Capital expenditure	3	2	2
Headcount on June 30	th   1 004	1 008	987

(I) Excluding service provision.

 Contribution of the operational subsidiaries to consolidated sales

Sales of goods in M€	01-02	02-03	03-04
Oxadis	109.2	108.2	106.3
Ferry Morse	24.5	27.6	29.3
Flora Frey GmbH	28.4	28.1	24.2
Suttons	23.5	23.6	21.5
Top Green	6.9	8.2	9.0
Van den Berg	5.2	7.6	8.1
Sperling GmbH	-	-	4.1
CNOS Vilmorin Sp. Z	0.0. 3.1	2.8	3.3
Intercompany eliminations	- 4.8	- 6.6	- 6.8
Total Home Garde	n 196.0	199.5	199.0

## Evolution of business and markets





#### Redeployment at Oxadis

Over the past three years, Oxadis has followed a program to redefine and re-engineer its business portfolio; this program dealt in particular with an analysis of its competitive positions, its own skills, potential for development and of course the profitability of its business activities. This program was completed during the course of the financial year 2003-2004, leading to the stopping of a certain number of activities (e.g. the distribution of young plants) or their re-organization (e.g. export zones, pet products).

At the same time, during the year Oxadis began its redeployment phase, concentrating on a clearer definition of the position of its brands.

Vilmorin, an emblematic brand with a strong new visual identity, has been chosen to bear the standard of an ambitious development plan over the years to come.

### Ferry Morse, a partnership policy crowned with success

During the course of the fiscal year 2002-2003, Ferry Morse launched a major program to diversify its line-ups, reaching an exclusive agreement with the Jiffy group for the North American market.

By the close of this first test year, Ferry Morse had met its challenge successfully, getting this new product range adopted by the majority of its clients, and managed to increase its sales profitably by more than 20%.

Having reached this particular milestone, Ferry Morse is now on the look out for new partnerships.



Sperling, a major trump card in the recovery of business on the German market

For several years the German market has been characterized by strong

pressure on prices and a bipolarization of the distribution networks between hard discount and specialist distributors. Flora Frey was subjected to fast deteriorating sales conditions and suffered recurrent losses.

During the fiscal year 2003-2004, Flora Frey extended its action plan with downsizing measures and a hard relook at certain market segments.

It soon became clear that repositioning needed to be accelerated, and the company decided to seize the opportunity of working with another major player on the gardening market in Germany. Thus in January 2004, Flora Frey took majority control of the family company Carl Sperling & Co, with the approval of its historical shareholders.

Exclusively positioned on distribution to garden centers, Sperling will provide Flora Frey with first rate expertise and skills on the high end of its market, opening up new perspectives for growth and a return to profitability.

#### Market trends

#### The vast market for home gardening

The great majority of Vilmorin Clause & Cie's sales to the general public are within the vast home garden market, and more precisely in the outdoor plant market: seeds, young plants, nursery products, flower bulbs, vegetable bulbs, etc.







This market is continuing to progress significantly in most countries in Europe and North America. Outdoor plants are one of the largest and most dynamic segments in this market, as can be seen from the table below:

In billions of	Home Garden	inc. outdoor plant market		
euros	market			
United States	23.6	7.3		
Germany	8.7	2.6		
France	5.8	1.0		
United Kingdom	4.0	1.2		

(Sources: Promojardin and internal - 2003).



• The market for vegetable and flower seeds

The market for vegetable and flower seeds has been characterized in recent years by a slow but regular drop in quantities sold, in all geographic areas:

		Estimated volume in millions of units
Europe		598
including	Central and Eastern Europe (1)	195
	Germany	110
	Southern Europe	91
	France	73
	United Kingdom	55
	Northern Europe	25
	Switzerland-Austria	25
	Benelux	24
North A	merica	230
of which	the target market	120

(Internal source - 2004).

(1) Estimate limited to Poland, Hungary, Romania and the Czech Republic.

This drop in quantities is, in part, compensated by an increase in unit prices: more and more consumers are moving towards more efficient hybrid varieties in terms of yield, disease resistance etc.

• The market for young plants

The slowdown in the seeds market has been to the benefit of young vegetable and flower plants, which are better suited to new consumption styles and habits, and are more easily affordable with the increase in purchasing power.

This market, complementary to seeds, has really taken off in all European countries and the United States, in all retail outlets, whether specialized or not, and now wide product ranges are available to home gardeners.

In France the market is still very scattered, with the production of young plants for home gardeners spread out over almost 4 000 producers of rockery shrubs and pot plants.

Sales of perennial plants and rockery shrubs, the main product in this market, reached 240 million euros in 2001(1): this is nearly 26% of the total market for outdoor plants.

(I) According to the latest estimates published by Promojardin.

## Evolution of business and markets

#### • Other outdoor plants

There are a number of other outdoor plants generally available from companies working with Home Garden seeds, in particular: flower bulbs, vegetable bulbs, packaged nursery products such as roses and lawn seeds.

In general they are products which are well-suited to new consumer habits: easy to plant, good for decoration, and with a wide range of varieties and colors.

#### • Products for plantcare

This market segment is closely linked to that of plants. It includes above all:

- > products used to treat plants: fungicides, insecticides, weed killers, etc.
- > fertilizers,
- > soil improvement and growing substrates: leaf mould, etc.

These product lines are generally distributed by large, specialized European and American groups under their own brands. Vilmorin Clause & Cie also operates in this segment: it uses its strong reputation to promote these lines on the home garden market.





#### The expanding market for pet accessories:

The French market for pet accessories is <u>complementary to</u> <u>that of home gardening</u>: retail outlets are very often the same.

With the exception of cat and dog food, and also cats' litter, this market was estimated to be worth 800 million euros in 2002, and is progressing at around 5% per year for combined distribution. Dogs, cats, birds, rodents, fishes, etc. can be found in more than one in two French homes.

This market is not as seasonal as that of outdoor plants. The categories of suppliers involved are:

- > wholesalers,
- > organized structures with a policy of strong brand names, and numerous novel products,
- > private label.

#### The competitive environment

The characteristics of amateur gardeners and distribution modes vary considerably from one country to the next. Thus, the market for vegetable and flower seeds is still very much linked to national markets, and often leadership in the main countries is held by local companies.

Nevertheless this situation is beginning to change, as the major mass marketers are extending further beyond their national borders.

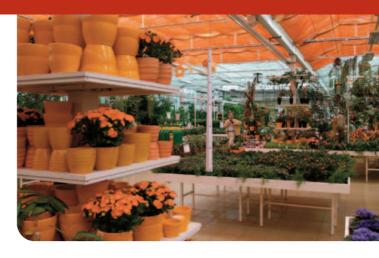
This is why it is so important for Vilmorin Clause & Cie's companies and their international subsidiaries to accompany them in this development.

The Home Garden seeds market, just like the Professional market, has a high level of concentration, since the two or three main national companies share 60 to 75% of the market.

Countries	Companies	Market shares (I)
France	Oxadis	52%
	Plan SPG	25%
	Gondian	4%
	Griffaton	2%
Germany	Flora Frey	24%
,	Gartenland	24%
	Wagner Quedlinburg	16%
	Pabst	10%
	Nebelung	6%
United Kingdom	Fothergill Johnson	25%
	Suttons	25%
	Unwins	25%
	Thomson & Morgan	10%
United States (2)	Ferry Morse	30%
,	Burpee	27%
	NK	26%

(Internal source - 2003-2004).

- (I) Market shares are estimated on the basis of the number of sales of packets (either under company brands or private label).
- (1) Market shares calculated on the basis of a target market estimated at 120 million units, excluding special offers (from a total of approximately 230 million).



#### Distribution networks

#### Modern trading, the main distribution network

In Europe and the United States trends in the distribution of gardening products are very similar:

- > almost all products for this market are sold through retail outlets: specialized stores (garden centers and large DIY stores) and major food distributors (gardening department), > small independent stores, such as seed merchants, florists, markets and drug stores, are fairly marginal,
- > mail order sales generally represent from 5 to 10% of the distribution of garden products.

#### Private label, limited progress

Own brands have made their appearance in the home garden market in recent years. Their development has nevertheless been limited, mainly because:

- > large stores give limited priority to gardening; the food sector remains the priority in their strategy,
- > of the very seasonal nature of gardening, which makes it so specific,
- > the market is fairly well wrapped up by numerous brand names with a widespread reputation.

## Corporate governance

#### **BOARD OF DIRECTORS**

#### Presentation of the Board members

#### Chairman of the Board of Directors



**Gérard RENARD** 

Renewal of term: 2002 Expiry of term: 2005

M. Gérard RENARD was educated in agronomic science and agriculture, and apart from his duties at Vilmorin Clause & Cie, holds functions as Vice-President of Groupe Limagrain, President of the Chamber of Commerce of the county of Puy-de-Dôme, member of the committee for the Regional Chamber of Commerce of Auvergne, and President of the Puy-de-Dôme Inter-Chamber group.

• Chairman of the Board

ABC (United States), Clause Tézier (France), Clause Tézier Iberica (Spain), Clause Tézier Italia (Italy), Harris Moran (United States), Nickerson Zwaan (United Kingdom), Plant Development Australia (Australia), Vilmorin (France), Vilmorin Iberica (Spain), Vilmorin Inc (United States), Vilmorin Italia (Italy).

- Chairman of the Board of Trustees Nickerson Zwaan (Netherlands), Nickerson Zwaan (Germany).
- Member of the Consultative Committee Flora Frey (Germany).
- Member of the Board of Trustees Van den Berg (Netherlands).
- Member of the Board
   Ferry Morse (United States), Groupe Limagrain Holding (France), Hazera Genetics (Israel), Limagrain (Vice-President), Maïcentre (France) (representing Sélia), Marco Polo Seed (Thailand), Oxadis (France), Oxadis (Italy), Suttons (United Kingdom).
- Member of the Board of Management Semillas Limagrain de Chile (Chile).

- Member of the Supervisory Board Groupe Limagrain Luxembourg (Luxembourg), Méristem Therapeutics (France).
- Member of the Board Committee Sélia (France).

#### Director and CEO



**Daniel CHÉRON** 

Commencement of term: 2004 Expiry of term: 2005

M. Daniel CHÉRON is a graduate of economics, has also held the function of Assistant General Manager of Groupe Limagrain since 1996, and has run the Agro-Industry business since 1993.

On June 30th 2004, his other functions were as follows:

• (F()

Grain Auvergne Innovation (France), Limaclub (France), Jacquet (France), Jacquet Céréales Technologies (France), Limagrain Agro-Industrie (France), Ulice (France).

- Chairman of the Board Biogemma (France), Jacquet Belgium (Belgium).
- Member of the Board AgReliant Genetics (United States).

He has expressed the desire to resign from these functions and, apart from his functions as director (to be confirmed by the Annual General Meeting of December  $7^{\text{th}}$  2004) and CEO of Vilmorin Clause & Cie, just to keep the function of CEO of Limagrain Agro-Industrie.

#### **Directors**



François HEYRAUD

Renewal of term: 2002 Expiry of term: 2005

- Chairman of the Board and CEO
   Oxadis (France).
- Chairman of the Board Ferry Morse (United States), Oxadis (France), Oxadis (Italy),
   Suttons (United Kingdom).
- Chairman of the Supervisory Board

CNOS Vilmorin (Poland).

Chairman of the Board of Trustees

Van den Berg (Netherlands).

 Chairman of the Consultative Committee

Flora Frey (Germany).

- Member of the Board ABC (United States), Groupe Limagrain Holding (France), Limagrain (France), Maicentre (France) (representing Maïs Angevin Nickerson), Top Green (France).
- Member of the Board of Management
   Semillas Limagrain de Chile (Chile) (representing Sélia).
- Member of the Board Committee
   Sélia (France).



François DELOCHE

Renewal of term: 2002 Expiry of term: 2005

 Member of the Consultative Committee

Flora Frey (Germany).

- Member of the Board ABC (United States), Ferry Morse (United States), Groupe Limagrain Holding (France), Limagrain (France), Oxadis (France), Oxadis (Italy), Suttons (United Kingdom).
- Member of the Board of Trustees

  Van den Borg (Notherland)

Van den Berg (Netherlands).



Raoul FAURE

Renewal of term: 2002 Expiry of term: 2005

• Member of the Board ABC (United States), Clause Tézier (France), Clause Tézier Iberica (Spain), Clause Tézier Italia (Italy), Groupe Limagrain Holding (France), Harris Moran (United States), Limagrain (France), Marco Polo Seed (Thailand), Nickerson Zwaan (United Kingdom), Vilmorin (France), Vilmorin Iberica (Spain), Vilmorin Italia (Italy), Vilmorin Inc (United States).

• Member of the Board of Trustees

Nickerson Zwaan (Netherlands), Nickerson Zwaan (Germany).



**Jean-Denis POULET** 

Renewal of term: 2002 Expiry of term: 2005

- Member of the Board ABC (United States) (Vice-President). Clause Tézier (France), Clause Tézier Iberica (Spain), Clause Tézier Italia (Italy), Groupe Limagrain Holding (France), Harris Moran (United States) (Vice-President), Hazera Genetics (Israel), Limagrain (France), Marco Polo Seed (Thailand), Nickerson Zwaan (United Kingdom), Vilmorin (France), Vilmorin Iberica (Spain), Vilmorin Inc (United States), Vilmorin Italia (Italy).
- Member of the Board of Trustees Nickerson Zwaan (Netherlands), Nickerson

Zwaan (Germany).



**Pascal VIGUIER** 

Commencement of term: 2000 Expiry of term: 2004

 Member of the Consultative Committee

Flora Frey (Germany).

- Member of the Board ABC (United States), Ferry Morse (United States), Groupe Limagrain Holding (France), Limagrain (France), Oxadis (France), Oxadis (Italy), Suttons (United Kingdom).
- Member of the Board of Trustees

Van den Berg (Netherlands).

M. Pascal VIGUIER is required to fulfil other functions within Groupe Limagrain, and has expressed the desire not to stand for another term of office.

In order to replace him, the Board proposes to the Annual General Meeting of December 7th 2004 that M. Jean-Paul FAURE be appointed.



Jean-Paul FAURE

## Shareholder and investor information

#### How the Board of Directors operates

• Meetings and attendance rates

For the purpose of their office, all members of the Board can be contacted at the following address:

c/o Vilmorin Clause & Cie - BP I - 63720 CHAPPES - France

The Board of Directors meets regularly. Meetings are convened by a written or oral notice to attend from the Chairman, and are held at the head office or any other place fixed in the notice. During the fiscal year 2003-2004, the Board of Directors for Vilmorin Clause & Cie met seven times.

Moreover, for the purpose of the offices they hold in the subsidiary companies of Vilmorin Clause & Cie, the Members of the Board took part in thirty-two meetings during the course of the fiscal year 2003-2004.

The overall attendance rate of the members of the Board for all companies in the group was 95%.

 Vilmorin Clause & Cie's Board of Directors within Limagrain

Today, nearly all the directors on the Board of Vilmorin Clause & Cie are from Limagrain. These directors are exclusively dedicated to Vilmorin Clause & Cie, and do not intervene in any of the other divisions or business units of Limagrain. Consequently they can concentrate on a specialized area, and develop real expertise in the field of vegetable seeds.

Likewise, subjects that are specific to Vilmorin Clause & Cie are always dealt with first of all at Board meetings of Vilmorin Clause & Cie. As an example, when the company initiates a development project, there are two stages of preparation and presentation – the Executive Committee and then the Board – exclusively concerning Vilmorin Clause & Cie, before the presentation to the Group Steering Committee of Limagrain.

Vilmorin Clause & Cie's Board answers to its majority shareholder in the same way it answers to all its other shareholders, since their common objectives and interests are to invest in a company that is both healthy and profitable long-term.

#### General Management

The Board meeting of Vilmorin Clause & Cie held on May 10<sup>th</sup> 2004, chaired by M. Gérard RENARD decided to appoint M. Daniel CHÉRON as Director, CEO and mandatory for the remaining duration of M. RENARD's term of office, in order to replace M. Pierre LEFEBVRE who had left the group.

The Board wishes to thank M. Pierre LEFEBVRE, who had been director and CEO since 1989, for his contribution in the construction of Vilmorin Clause & Cie, during the decisive step of its introduction to the French stock market in 1993, and then to the development of the group over the years.

Furthermore, the Board also expressed it intention to pursue the principles and strategic objectives of Vilmorin Clause & Cie in the same manner, in order to consolidate its position as world leader both in the Home Garden and Professional sectors, and to offer its shareholders lasting perspectives of regular growth.

#### **Executive Committee**

The Executive Committee for Vilmorin Clause & Cie is chaired by M. Daniel CHÉRON, and comprises:

> M. Stanislas CROUZIER (VP for the Professional Division),

> M. Daniel JACQUEMOND (Chief Financial Officer),

> M.André KRAFFT (VP for the Home Garden Division),

> M. Emmanuel ROUGIER (VP for Development).

It meets every month.

## Agreements with mandatories and economic interests of the management bodies

• Stock options, stock purchasing, voting rights, agreements with mandatories

The members of the Board of Directors each hold one share of Vilmorin Clause & Cie. No operation or agreement has been concluded by the company with its mandatories.

No loan or guarantee has been granted or signed in their favor by the Group's banks.

• Remuneration of the mandatories

As in previous years, members of the Board exercised their function without any remuneration; no token payments were made for presence at meetings.

M. Pierre LEFEBVRE, director and CEO, and thereafter M. Daniel CHÉRON were also salaried members of the staff of Groupe Limagrain Holding, the main shareholder of Vilmorin Clause & Cie, and thus it should be noted that the proportion of gross remuneration paid for the functions they held specifically for Vilmorin Clause & Cie amounted respectively to 185 and 11 thousand euros in 2003-2004.

• Remuneration of members of the management bodies

In 2003-2004, the sum of payments made to members of the Management bodies, including income in kind, amounted to 2 million euros.

These Management bodies concern the Managers on the Executive Committee of Vilmorin Clause & Cie and the General Managers of the following operational companies: Vilmorin, Clause Tézier, Nickerson Zwaan, Harris Moran, Hazera Genetics, Kyowa Seed, Oxadis, Flora Frey, Sperling, Ferry Morse, CNOS Vilmorin, Suttons and Top Green, making 16 people altogether.

#### Control bodies

Date o	f expiry of term of office
Incumbent Statutory Auditors	
KPMG AUDIT Département de KPMG I, cours Valmy 92923 Paris la Défense Cedex represented by M. Michel PIETTE Date appointed: 2002	SA 2008 (AGM for the accounts of the fiscal year closing on 06.30.08)
VISAS 4 Commissariat 56, boulevard Gustave Flaubert 63000 Clermont-Ferrand represented by M. Claude AUBERT Date appointed: 1999	2005 (AGM for the accounts of the fiscal year closing on 06.30.05)
<b>Substitute Statutory Auditors</b>	
M. Jean-Luc DECORNOY 2 bis, rue de Villiers 92300 Levallois-Perret Date appointed: 2002	2008 (AGM for the accounts of the fiscal year closing on 06.30.08)
M. Jacques RIVIERE 56, boulevard Gustave Flaubert 63000 Clermont-Ferrand Date appointed: 1999	2005 (AGM for the accounts of the fiscal year Substitute closing on 06.30.05)

## Information of a general nature

### Name, head office and administrative offices

Name:

Vilmorin Clause & Compagnie (Cie).

Head office:

4 quai de la Mégisserie - 75001 Paris - France.

Administrative offices:

BP I - 63720 Chappes - France.

#### Jurisdiction

French jurisdiction.

#### Legal status

Vilmorin Clause & Cie is a "société anonyme" (limited liability company) with a Board of Directors, and is governed by Book II of the French Commercial Code.

## Date of creation, evolution and expiry of the company

The Company was created on March 2<sup>nd</sup> 1990 under the name of SSBP (Société de Services de la Branche Potagères & Fleurs); this name has been since changed as follows:

Modification of name to Ceres (EGM June 27th 1990).

Modification of name to Vilmorin & Cie (EGM June 29th 1993).

Modification of name to Vilmorin Clause & Cie (EGM December 9th 1997).

Modification of management system (EGM March 16th 1998), to adopt the system of Board of Directors, replacing the Board of Management and Board of Trustees system.

Modification of the articles of association in compliance with the French law of January  $15^{\rm th}$  governing new economic regulations (EGM December  $3^{\rm rd}$  2002).

The life of the Company will expire on March  $2^{nd}$  2019 unless it is extended or cut short by an Extraordinary General Meeting of the shareholders.

#### Object of the Company

Under the terms of article 2 of the articles of association, the object of Vilmorin Clause & Cie is, both in France and in other countries, directly or indirectly, the production or processing of any agricultural produce, the undertaking of any action to facilitate and develop production, the marketing and sales of any product used to grow vegetable, fruit or flower plants and any garden, agricultural, plant or animal product; to provide for companies in vegetables, fruit and flowers all means to improve their management, reduce their costs and facilitate the sales of their products, and more generally, to carry out any operations of whatever nature to work towards this object or any similar or complementary object, either directly or indirectly.

#### Company Trade Register

The Company is registered on the Paris Company Trade Register under number B 377 913 728.

N° SIRET: 377 913 728 00020.

N° SIREN: 377 913 728.

N° APE: 512 A (Wholesale commerce of unprocessed agricultural products).

#### Fiscal year

The fiscal year is for twelve months, running from July  $I^{\text{st}}$  until June  $30^{\text{th}}$  of the following year.

## Place where documents concerning the Company can be consulted

The legal documents concerning Vilmorin Clause & Cie (articles of association, minutes of Annual General Meetings, Statutory Auditors' reports and any documents available to shareholders) can be consulted at the head office, 4 quai de la Mégisserie - 75001 Paris.

#### All litigation to be referred to

Tribunal de Commerce de Paris.

## Main points governed by the articles of association

## General Meetings (articles 29 and 30)

#### Notice to attend

Holders of registered shares for at least one month at the time the notice to attend is published or sent out, are invited to attend any General Meeting by ordinary mail, or, if they so request, by registered mail at their own cost.

#### • Conditions of entry

Under conditions fixed by law, any shareholder can participate in meetings personally or by proxy, upon proof of his or her identity and share ownership, either in the form of a registered certificate, or by depositing, in the place indicated in the notice to attend, a certificate from the authorized intermediary, in accordance with legislation in force, stating that the shares are not available to the registered bearer before the date of the meeting; these formalities must be accomplished five days at least before the date of the meeting.

Any shareholder may also participate in General Meetings by videoconference or any other means of telecommunication in the conditions laid down by law and regulations as mentioned in the invitation to attend the General Meeting.

Any shareholder can vote by correspondence using the form completed and mailed to the Company in conditions laid down by law. This form must be received by the Company at least three days before the meeting concerned.

The General Meeting involves all shareholders whatever their number of shares, provided they have been fully paid up.

#### Voting rights

For each meeting, and on condition that all legal requirements are met, each member at the meeting has the same number of votes as the shares he owns or represents, without any limit. Nevertheless voting rights are doubled compared with other shares, with regard to the stock quota they represent, for all fully paid up shares registered for at least four years under the name of the same shareholder (decision of the General Meeting of July 22<sup>nd</sup> 1993).

In the case of stock increases as a result of capitalization of reserves, profits or premium on stock, this right is also granted to registered shares provided without cost to holders of shares already held which are entitled to these preferential voting rights.

#### Distribution of profits (article 38)

Legal reserves of at least 5% are held back on profits for the year, after taking into account any losses to carry forward from previous years. This measure is no longer necessary if reserves are equivalent to 10% of the stock, but it becomes a requirement again if for any reason legal reserves fall below 10% of the stock.

Profits for distribution are made up of the profits for the year, less any loss carried forward from previous years and any amount held in reserve, in accordance with legal requirements and the articles of association. Any profit carried forward is added on.

From the profits to be distributed, the Annual General Meeting can deduct any sum which it considers necessary, either to carry forward to the following year, or to put into one or several general or special reserve funds, and the meeting determines how these funds should be used.

Any remaining profits are distributed as dividends to share-holders.

Moreover the General Meeting can decide to distribute dividends from reserves at its disposal; in this case any decision must indicate which reserve funds are to be used for this purpose.

## Shareholder and investor information

When the General Meeting considers the accounts for the year, it can grant for each shareholder, for all or part of the dividends distributed, or part payment thereof, an option between paying the dividend or part payment thereof in cash or in shares.

## Article governing changes in the stock and shareholders' rights (article 8)

In accordance with legal provisions, the Extraordinary General Meeting can increase or reduce the stock, or delegate powers for this purpose to the Board of Directors.

## Crossing thresholds laid down legally or by the articles of association (article 12)

Any physical or moral person, acting alone or with others, who goes above, or back under, the threshold of 3% of the stock or voting rights or any multiple of this percentage, is required to inform the Company (decision of the General Meeting of July  $22^{nd}$  1993).

The conditions under which the Company should be informed are laid down in article 12 of the articles of association.

If such conditions are not respected, any shares above this threshold and which should have been declared, are deprived of voting rights under conditions laid down by the law, if one or several holders of shares to the value of 5% of the authorized stock so request in the minutes of the General Meeting.

#### Identification of shareholders (article 12)

The Company is authorized to make full use of legal recommendations for the identification of shareholders which grant immediate or subsequent voting rights in its shareholders' meetings.

## Financial organization chart on June 30th 2004

Presentation of the companies in Vilmorin Clause & Cie according to voting right percentage and business division:

#### Professional Division:

#### American Bio Corporation Inc (ABC): 100%

Harris Moran Seeds Inc: 100% > Alliance Semillas: 51%

> Alliance Semillas de Argentina: 100%

> Clause Harris Moran Tézier (CHMT): 50%

> Semillas Harris Moran: 100%

Vilmorin Inc: 100% BioSeeds: 25%

Clause Tézier: 99.97%

Clause Tézier do Brazil: 98% Clause Tézier Iberica: 100% Clause Tézier India: 100% Clause Tézier Italia: 100%

#### Hazera Genetics Ltd: 54.89%

Asamia Cold Storage Ltd: 100% Biotech Mah Management: 50%

Hazera Canarias: 51% Hazera Espana: 100%

Hazera Holding International BV: 100%

Hazera Mauritius Ltd: 100% Hazera Seeds Inc: 100%

Hazera Tohumculuk ve Ticaret AS: 99.99%

Henderson Seeds JV: 50.65%

Kyowa Seeds: 40.01%

Marco Polo Seed Nusantara: 86.96%

Marco Polo Seed Thailand: 100%

Plant Development Australia: 100%

Triagro: 25%

VCC Seeds Ltd: 100%

**Vilmorin: 99.96**% Anadolu: 47.48%

Nickerson Zwaan BV: 100%

> Nickerson Zwaan GmbH: 100%

> Nickerson Zwaan Ltd: 100%

> Nickerson Zwaan India: 99.85%

> Nickerson Zwaan Sp. Z o.o.: 100%

Vilmorin Iberica: 99.78% Vilmorin Italia: 100%

#### Home Garden Division:

#### Ferry Morse Seeds Inc: 100%

Flora Frey GmbH: 77.18%

Carl Sperling & Co: 100% CNOS Vilmorin Sp. Z o.o.: 51% Flora Geissler GmbH: 100% Sperling GmbH: 100%

Oxadis SA: 99.99%

Oxadis SI: 99%

**Suttons Ltd: I00%** 

**Top Green S.A.S.: 50%** 

Van den Berg: 80%

Vilmorin Clause & Cie also held, on June  $30^{\text{th}}$  2004 a minority participation of:

- > 20% of the share capital of the Japanese seed and agricultural distribution company Mikado,
- > joint control of 50% of Groupe Limagrain Luxembourg Sca and Cylonie Ré, the Luxembourg reinsurance captive company.

### The stock and the shareholders

#### Stock

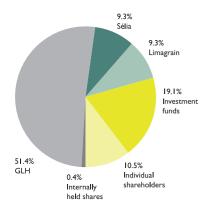
On June 30<sup>th</sup> 2004, the authorized stock was of 145 896 429.75 euros divided into 3 188 993 nominally fully paid up shares at 45.75 euros.

#### Breakdown of the stock and voting rights

On June  $30^{\text{th}}$  2004, the shareholders of Vilmorin Clause & Cie were as follows:

	Single vote	Double vote	%	Total number	% of total
	shares	shares	of stock	of votes	number of votes
Groupe Limagrain Holding	152 843	l 486 997	51.42	3 126 837	59.46
Limagrain	-	297 201	9.32	594 402	11.30
Sélia	-	297 501	9.33	595 002	11.32
Shares held internally	13 014 (1)	-	0.41	-	-
Public and various	940 697	740	29.52	942 177	17.92
Total	I 106 554	2 082 439	100.00	5 258 418	100.00

(I) Correspond to shares without voting rights.



Breakdown of the stock on June 30th 2004 (Source: Euroclear and internal)

To the knowledge of Vilmorin Clause & Cie, there are no other shareholders, whether directly or indirectly or acting in conjunction with others, holding 5% or more of the stock or the voting

• Notifications of crossing the threshold:

During the fiscal year 2003-2004, Financière de l'Échiquier-EBPF declared that it had crossed above the threshold of 3% laid down in the articles of association for the mutual fund it manages.

 Stock and voting rights held by the different Administrative or Management structures:

Not significant.

 Stock and voting rights held by the employees, directly or indirectly:

#### Not significant.

Declaration of shareholder agreements:

#### None.

• Potential capital:

#### None.

• Non-issued authorized stock:

None, as no commitment to raise the stock has been made.

• Shares non-representative of the stock:

#### None.

• Stock options:

None.

#### Limagrain, a reference shareholder and a guarantee for a sustainable strategy

Vilmorin Clause & Cie belongs, for the most part, to the seeds Group, Limagrain which, since integrating a vegetable seed business into the group in 1975, has encouraged its development by providing regular and consistent investment support

Vilmorin Clause & Cie and Limagrain cooperate through the notion of shared resources. Thus, Vilmorin Clause & Cie can count on the support of its reference shareholder's upstream research and benefit from its administrative management (operational consolidation of accounts, personnel management, sharing of premises, etc.).

The expectations of Limagrain's shareholders with regard to Vilmorin Clause & Cie coincide with those of investors: investing in a profitable company with the long-lasting guarantee of a high dividend.

#### • Presentation of Limagrain

In its core activity of seed, Groupe Limagrain is the 4th largest in the world, and the largest in the European Union. It has a strong international dimension, with over half of its sales outside France. Over the past thirty years or so, it has developed on the different seeds markets (corn, wheat, vegetables, etc.); more recently, the development of plant biotechnology has enabled the Group to move into new sectors, particularly that of added industrial value for plants (agri-business) through integrated chains.

Groupe Limagrain is structured around a holding company, Groupe Limagrain Holding, a joint stock company, in which the cooperative company Limagrain is the majority shareholder.

Located in Auvergne (France) in the plain of Limagne, Limagrain had 690 cooperative members on June 30th 2004.

The company Sélia is also a subsidiary of Limagrain.

#### Evolution of the stock

Decision and date	Nature of the stock increase	Nominal amount & premium per share	Stock raised to	Total number of shares
03.02.90	Creation of company 2 500 shares issued	100 FRF	250 000 FRF	2 500 shares
06.29.93	3 820 000 shares issued to pay for a partial contribution of assets from Groupe Limagrain Holding	100 FRF	382 250 000 FRF	3 822 500 shares
06.09.93	Equivalent of 1 817 500 shares issued in cash reserved for Groupe Limagrain Holding	100 FRF	564 000 000 FRF	5 640 000 shares
10.04.93	Transfer of shares at nominal price of 100 FRF to shares at 300 FRF	300 FRF	564 000 000 FRF	I 880 000 shares
12.17.93	l 66 700 shares issued reserved for Crédit Lyonnais	300 FRF + Premium of 6 FRF	614 010 000 FRF	2 046 700 shares
11.26.96	921 015 shares issued with stock warrants	300 FRF + Premium of 170 FRF	890 314 500 FRF	2 967 715 shares
11.96 – 06.30.97	177 warrants exchanged corresponding to 59 shares	300 FRF + Premium of 180 FRF	890 332 200 FRF	2 967 774 shares
07.97 – 06.30.98	93 warrants exchanged corresponding to 31 shares	300 FRF + Premium of 180 FRF	890 341 500 FRF	2 967 805 shares
07.98 – 06.30.99	927 warrants exchanged corresponding to 309 shares	300 FRF + Premium of 180 FRF	890 434 200 FRF	2 968 114 shares
07.99 – 06.30.00	336 warrants exchanged corresponding to 112 shares	300 FRF + Premium of 180 FRF	890 467 800 FRF	2 968 226 shares
07.00 – 06.30.01	662 30 I warrants exchanged corresponding to 220 767 shares Conversion of the nominal unit value to	300 FRF + Premium of 180 FRF	956 697 900 FRF	3 188 993 shares
	45.75 € using part of the legal reserves of 319 944 FRF	=	145 896 429.75 €	3 188 993 shares

# Shareholder and investor information

 Modifications in the stock breakdown over the past three fiscal years

Groupe Limagrain Holding made a one-off secondary distribution by private agreement to several investors of 80 000 shares during the fiscal year for 2002-2003.

Otherwise there has been no significant modification in the breakdown of the stock over the past three financial years.

	06.30.02			06.30.03			06.30.04		
	N° of shares	% of stock	Voting rights	N° of shares	% of stock	Voting rights	N° of shares	% of stock	Voting rights
Groupe Limagrain Holding	1 719 545	53.92	64.50	I 639 045	51.40	62.96	I 639 840	51.42	59.46
Limagrain	297 201	9.32	11.95	297 201	9.32	11.96	297 201	9.32	11.30
Sélia	297 501	9.33	5.99	297 501	9.33	6.00	297 501	9.33	11.32
Shares held internally	2 082	0.07	-	8 325	0.26	-	13 014	0.41	-
Public and various	872 664	27.36	17.56	946 921	29.69	19.08	941 437	29.52	17.92
Total	3 188 993	100.00	100.00	3 188 993	100.00	100.00	3 188 993	100.00	100.00

## Financial authorizations granted by the Joint General Meeting of December 4th 2003.

In order to provide Vilmorin Clause & Cie with the necessary means to ensure its future development, particularly internationally, the Joint General Meeting of December 4th 2003 authorized the Board of Directors to issue, with a maximum nominal value of 65 million euros:

- > Bonds or any other assimilated debt security, either in France or in another country, with or without public issue.
- > Securities which can be used immediately or at maturity by increasing the stock; these securities can be issued alone or together with bonds or other assimilated debt securities.

These authorizations expire on June 5th 2005.

On the date of October 5th 2004, these authorizations had not been used by the Board of Directors.

The Board of Directors will request renewal of these authorizations at the Joint General Meeting of December  $7^{\text{th}}$  2004 ( $7^{\text{th}}$ ,  $8^{\text{th}}$ ,  $9^{\text{th}}$ ,  $10^{\text{th}}$ ,  $11^{\text{th}}$  and  $12^{\text{th}}$  resolutions).

#### Management of shares and registered accounts

Euro Émetteurs Finance (EEF) - 48, boulevard des Batignolles 75850 Paris Cedex 17 - Tel: + 33 (0)1 55 30 59 00 is responsible for managing the shares of Vilmorin Clause & Cie. Moreover the same institute is authorized by Vilmorin Clause & Cie to manage its registered accounts.

### Market for the Shares

#### Main characteristics of the shares

Vilmorin Clause & Cie's shares were introduced on November 3<sup>rd</sup> 1993 to the Second Market of the Paris stock exchange, now known as Euronext, Paris.

They are sold under continuous quotation in units, under the code ISIN FR0000052516 and the mnemonic code RIN; moreover they are eligible to PEA equity savings plans.

There is no other request for admission to another financial market.

The shares are identified under the following codes: RIN for Bloomberg, VILM.PA for Reuters.

Vilmorin Clause & Cie is part of the Second French Market stock index and, since March 2<sup>nd</sup> 1999, the SBF 250 index.

To date Vilmorin Clause & Cie has not yet requested inclusion in the Next Prime market segment of Euronext.

In the FTSE sectorial classification, Vilmorin Clause & Cie is listed in the sector Non-Cyclical Consumer Goods and the sub-sector Food Producers and Processors.

#### Management and liquidity of the shares

Vilmorin Clause & Cie has signed a liquidity acquisition contract with Oddo Midcap (ex Crédit Lyonnais Securities), in order to run the market for its securities.

This annual contract expires on September 24<sup>th</sup> each year, and is renewed by tacit agreement. It complies with the AFEI (Association Française des Entreprises d'Investissement) deontology Charter, certified by the Autorité des Marchés Financiers after inspection on April 10<sup>th</sup> 2001.

On June 30th 2004 the following resources appeared in the liquidity account:

- > 1 014 shares,
- > 56 532 euros in cash.

#### Evolution of the price of the shares

01-02	02-03	03-04
actions		
1119	I 706	1 619
83.59	106.79	164.59
86.00	93.00	143.00
58.00	70.10	82.15
85.50	84.00	139.80
4.13	3.68	2.72
	86.00 58.00 85.50	86.00 93.00 58.00 70.10

(I) Net dividend distributed in year N, in proportion to the final rate for year N-I (Source: Euronext ParisBourse).

# Shareholder and investor information

### Quantities exchanged and evolution of values over the last 18 months in Paris

Year	Month	Number of shares exchanged	Capital exchanged <b>M</b> €	Highest recorded rate €	Lowest recorded rate €
2003	April	54 686	4.028	79.90	71.10
	May	30 052	1.375	81.90	77.20
	June	99 07 I	1.080	84.80	80.20
	July	54 082	4.770	92.85	82.15
	August	33 560	3.040	92.05	88.75
	September	46 193	4.200	93.50	89.90
	October	64 706	5.949	106.00	103.50
	November	26 997	2.746	105.50	104.50
	December	25 390	2.558	110.00	109.10
2004	January	42 403	4.402	104.90	104.20
	February	23 832	2.419	123.70	115.00
	March	24 486	2.735	115.80	114.10
	April	33 213	4.089	136.00	133.50
	May	20 463	2.647	143.00	137.10
	June	20 652	2.745	139.90	137.00
	July	9 652	1.309	140.00	138.70
	August	8 696	1.151	137.50	135.00
	September	19 226	2.612	140.00	138.00

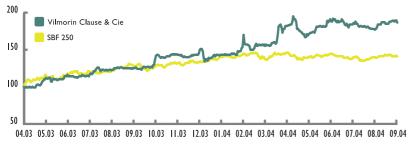
(Source: Euronext ParisBourse).

Evolution of values compared with the Second Market index rate over the last 18 months



Weekly closing rate (Base 100 - April 2003)

Evolution of values compared with the SBF 250 index rate over the last 18 months



At a time when stock markets were globally characterized by cold feet and gloom, the Vilmorin Clause & Cie share performed with strength in 2003-2004. It rose regularly over the fiscal year, benefiting from the favorable reaction of the market to the takeover of Hazera Genetics and the confirmation of excellent financial results.

Consequently, its share performed better compared to both the Second Market and the SBF 250.

Weekly closing rate (Base 100 - April 2003)

## Interventions of the company with regard to its own share capital

The Joint Annual Meeting of December 4th 2003, deliberating on the provisions of article L225-209 of the French Commercial Code, granted the Board of Directors the powers to intervene by purchasing or selling on the stock market within a range of 150 euros maximum for purchasing, and 50 euros minimum for selling, the number of shares thus purchased being limited to 10% of the company's share capital. The maximum amount for such operations is therefore fixed at 47.8 million euros.

Authorization of this buy-back program will expire on June  $5^{\circ}$  2005.

(NB: certified by the COB - French Securities Commission  $n^{\circ}03-991$  of November  $13^{th}$  2003).

On the date of October 5<sup>th</sup> 2004, the company had not registered any security exchange operations.

During the financial year ending June 30th 2004, the company conducted, either directly or indirectly, the following operations:

- > number of shares purchased = 14 337,
- > average purchasing price = 123.51 euros,
- > number of shares sold = 9 648,
- > average selling price = 102.71 euros,
- > number of shares held internally on June 30th 2004: 13 014 corresponding to 0.41% of the stock, at a purchasing value of 1 622 703 euros, which is an average unit price of 124.69 euros.

In application of the European directive 2003/6/CE of January 28th 2003, provisions for implementing share buy-back programs have been modified. Consequently, as from October 2004, the current program will only come into play for equity management operations, with the possibility of reducing the stock by canceling all or part of the shares acquired.

## Dividends and distribution policy over the last five fiscal years

	99-00	00-01	01-02	02-03	03-04
Number of shares receiving dividend	2 959 838	3 178 766	3 184 453	3 187 703	3 188 993 (1)
Net dividend (euros)	3.74	3.00	3.150	3.80	4.60
Tax credit (euros)	1.87	1.50	1.575	1.90	2.30
Gross revenue (euros)	5.61	4.50	4.725	5.70	6.90

(I) The number of shares held internally at the date the dividend is paid out should be deducted from this figure.

With comparable economic and financial conditions, and apart from the launch of any projects or investments of a nature to modify the balance sheet structure in a significant manner, Vilmorin Clause & Cie will do all it can, for the coming fiscal year, to maintain its profit distribution policy along the lines of previous years.

#### • Dividends claim limit

The dividends claim limit for Vilmorin Clause & Cie is the legal limit of five years from the date they are payable. After this date, unclaimed dividends are paid to the State by the company (articles L47 and R46 of the Code du Domaine de l'État).

#### • Tax regulations

#### French residents:

Dividends received are liable to income tax in the category of stock revenue. Receivers of dividends have the right to a tax credit if they are paid out before January  $I^{\alpha}$  2005.

#### Non French residents:

Shares held by non-residents have tax withheld at the rate in force in France depending on agreements with countries receiving these revenues. This tax is paid by those receiving the revenue.

## Information for Shareholders and Investors

## Vilmorin Clause & Cie's commitments towards its shareholders

Vilmorin Clause & Cie is concerned to be as accurate and reliable as possible with regard to its strategy, its organization, and its development perspectives. By complying with Euronext recommendations for its quality segments (NextPrime and Next Economy), Vilmorin Clause & Cie can confirm its determination to be clear with its shareholders: website, publications of financial information in French and in English, meetings with analysts, shareholders and investors, replies to individual requests for information, etc.

Distributing dividends that are in direct relationship with its results is the second basic component of Vilmorin Clause & Cie's financial policy, a further commitment with regard to its shareholders.

#### Contacts

Any information and all documents can be obtained by request from the Department of Financial Operations at Vilmorin Clause & Cie:

Tel: + 33 (0)4 73 63 41 95 Fax: + 33 (0)4 73 63 41 80

E-mail: contact@vilmorinclause.com

Relations with shareholders and investors, with financial analysts and the specialist financial and economic press are the responsibility of M. Daniel CHÉRON, Director and CEO, and M. Daniel JACQUEMOND, CFO.

#### Informative meetings

Informative meetings are held every year to present the yearly and half-yearly accounts or any significant event.

During the course of the year 2003-2004, Vilmorin Clause & Cie thus held meetings (financial analysts, investors, financial press) in October, and in April; the information presented in these meetings is also published on its website.

### Scheduled agenda for 2004-2005

For the year 2004-2005, the scheduled agenda (liable to be modified) is as follows:

11.09.04	Publication of sales for the first quarter
12.07.04	Joint Annual Meeting,
12.21.04	Payment of the dividend
02.08.05	Publication of sales for the first half year
04.05.05	Publication of the half- yearly financial statements
05.10.05	Publication of sales at the end of the third quarter
08.04.05	Publication of sales for the year

#### Documentation

Besides the annual report in French, translated into English, the company provides its shareholders with a report on the half-yearly accounts on December 31st every year.



Annual report 2002-2003



Letter to the shareholders

### Brokers specialized in financial analysis that follow the share values

Today the following companies regularly participate in informative meetings organized by Vilmorin Clause & Cie, and occasionally conduct surveys on the share value:

Oddo Midcap, Crédit Agricole Cheuvreux, Exane, Gilbert Dupont, Natexis, Société Générale Securities, HSBC CCF Securities, CIC Securities, Fideuram Wargny.



#### Website

The company has a website, in French and English, at the following address:

http://www.vilmorinclause.com, providing a general presentation of the company, press releases, the latest financial publications, and a real time update of the evolution of the share value quoted in Paris.

Moreover, any financial information and reports released by Vilmorin Clause & Cie are also published on the information website for the French Financial Markets Authority (Autorité des Marchés Financiers), http://www.amf-france.org.

#### An award for financial communication

> Vilmorin Clause & Cie's website www.vilmorinclause.com, was elected "the best Boursoscan® website for 2004" by a panel of surfing shareholders and financial specialists.

6 000 individual shareholders and 240 analysts and company managers graded all the sites for companies on the Paris stock exchange. They based their assessment on a number of criteria: quality of contents, esthetics, attractiveness, etc. Vilmorin Clause & Cie received an award in the Second Market category.

Boursocan® was created at the initiative of Boursorama and TLB, and benefits from an exclusive partnership with the French Society of Financial Analysts (SFAF). For the past four years it has been used to measure the quality of websites for companies quoted on the French stock markets.

> For the 5th edition of the prize awarded for the best annual report by the magazine "La Vie Financière", Vilmorin Clause & Cie's annual report was selected to compete for the finals along with seven others in the "Non SBF 120" category.

# Report of the Board of Directors to the Joint General and Extraordinary Meeting of December 7<sup>th</sup> 2004

To the Shareholders.

The present Joint Annual General and Extraordinary Meeting was convened in accordance with the law and the articles of association of your company:

> on the one hand to submit for your approval the annual financial statements for the fiscal year closing on June 30th 2004,

> secondly to delegate to your Board of Directors the necessary powers to proceed with the purchase of your company's own shares in accordance with the provisions of article L225-209 of the French Commercial Code, and the issue of securities, through a call for savings, with the preservation or suppression of stock purchase rights, according to the best possible market conditions.

Notice to attend, all the corporate documents, financial statements, reports and other documents and relevant information have been sent to you or made available under the conditions and deadlines stipulated according to the law.

#### Activity for the fiscal year

#### The Company Vilmorin Clause & Cie

During the course of the year 2003-2004, Vilmorin Clause & Cie pursued its development strategies, its external growth operations and the implementation of strategic partnerships, particularly in research.

With regard to external growth, the most significant operation this year was the take-over of the Israeli company Hazera Genetics, the leading company in tomato seeds intended for the Professional market.

Meanwhile, research investment devoted to upstream biotechnology programs was reinforced through supplementary funding, now standing at 5.5 million euros.

Vilmorin Clause & Cie's sales stood at 7 million euros in 2003-2004 as opposed to 8.4 million euros the previous year.

This turnover mainly corresponds to services rendered by Vilmorin Clause & Cie to its subsidiaries in the areas of general administration, human resource management and pooled upstream research programs.

This drop is mainly due to the increase in operating charges that could not be re-invoiced to the subsidiaries.

These services are invoiced proportionately between the subsidiaries of Vilmorin Clause & Cie using economic criteria (sales, added value, payroll and research costs), in the form of business fees for the real costs laid out.

Total operating expenses came to 10.9 million euros, down by 0.8 million euros compared with 2002-2003.

The total amount of costs not deductible from taxable income amounted to 87 210 euros for the fiscal year 2003-2004.

The operating income showed a loss of 1.4 million euros.

The financial result showed a net income of 15.5 million euros, up 2.5 million euros compared with the previous fiscal year.

This figure takes into account the dividends received from the subsidiaries, with the total amount this year standing at 16.3 million euros compared with 17 million euros for the previous year.

It also includes financial provisions of 2.2 million euros.

Finally, the financial income also includes foreign currency exchange profits of 1.9 million euros.

The extraordinary result shows a net loss of 1.8 million euros covering financial charges of an extraordinary nature.

The 0.1 million euros income tax registered on June 30<sup>th</sup> 2004 takes into account the impact of the fiscal integration system adopted on July 1<sup>st</sup> 2000 for a group of companies including Vilmorin Clause & Cie, Clause Tézier SA and Oxadis SA.

As a result of the above-mentioned considerations, the net corporate income came to 12.2 million euros on June  $30^{\text{th}}$  2004.

The company's stock on June 30<sup>th</sup> 2004 stood at 145 896 429.75 euros, corresponding to 3 188 993 shares at the par value of 45.75 euros each, which was unchanged in relation to June 30<sup>th</sup> 2003.

During the course of the year, Vilmorin Clause & Cie carried out a number of transactions concerning its portfolio of shares.

Among the most significant we should mention:

- > the purchase of a majority stake of 54.9% in the Israeli company Hazera Genetics, in whose stock it already held a 12.5% stake,
- > the creation of a holding structure under Luxembourg jurisdiction, Group Limagrain Luxembourg, held jointly with the company Limagrain Agro-Industrie, a subsidiary of Groupe Limagrain, in order to set up a reinsurance captive company,
- > the creation of the company Marco Polo Seed Thailand in Bangkok, to replace the sales office there,
- > the partial sale (12.3% of the stock) of the stake held in the German company Flora Frey as part of the take-over operation by Flora Frey of Carl Sperling & Co.

#### Vilmorin Clause & Cie consolidated

After a fiscal year for 2002-2003 that was already marked by a sustained growth in its business, and a significant increase in profitability, Vilmorin Clause & Cie again achieved commendable performances in sales and income for the fiscal year 2003-2004.

On June 30<sup>th</sup> 2004, consolidated sales, including services, came to 492.2 million euros as opposed to 434.5 million euros the previous year.

With comparable figures, after corrections for variations in scope and currency rates, sales were in fact up by 3.7%.

Restated for inventory write-off, covered by provisions, the gross margin stood at 67.5%, up 0.2% compared with 2002-2003.

This is confirmation of Vilmorin Clause & Cie's capacity for healthy internal growth for all its business activities, as shown in previous years.

The consolidated operating income stood at 50.7 million euros, a rise of 9.3% compared with the previous year.

The financial result shows a net charge of 2.6 million euros as opposed to 5.3 million euros in 2002-2003.

It again reflected the group's careful control of its indebtedness, and takes into account net foreign currency exchange profits of 1.6 million euros.

The extraordinary result broke even, whereas for the previous year it showed a net charge, after income tax, of 2.7 million euros.

Finally, the total net profit came to 31.6 million euros as opposed to 24.5 million euros on June 30<sup>th</sup> 2003, up by 29%. The group's share was 30.2 million euros, an increase of 29.6%.

The balance sheet structure on June 30<sup>th</sup> 2004 showed a significant reduction in working capital needs, particularly with inventories.

Thus, net of cash and bank in hand, book indebtedness on June  $30^{\text{th}}$  2004 stood at 68.6 million euros as opposed to 79.8 million euros on June  $30^{\text{th}}$  2003.

For purposes of comparison, these two aspects need to be restated:

- > for the loan to the American company Limagrain Genetics Corporation, also a subsidiary of Groupe Limagrain, with a total value of 0.9 million euros compared with 2 million euros the year before,
- > for reciprocal short-term advance cash loans made between sister companies as part of the consolidated cash management system prevailing in Groupe Limagrain, and also operations to securitize a number of Oxadis' accounts receivable, the cash freed up being transferred to Groupe Limagrain.

On June 30th 2004, the advance cash loans owed by Groupe Limagrain stood at 9.8 million euros compared with 35 million euros on June 30th 2003.

Restated in this way, net indebtedness on June 30<sup>th</sup> 2004 stood at 59.1 million euros as opposed to 57.3 million euros the previous year.

NB:The sales expressed for companies correspond to sales exclusive of services rendered.

#### Professional Division

The fiscal year 2003-2004 was naturally characterized, for the Professional Division, by the successful integration of the company Hazera Genetics, but also by the excellent results achieved by all the different business units.

**Vilmorin** accelerated its speed of growth, with sales of 59.2 million euros, an increase of 8.1%, and closing with net profits of 10.3 million euros.

This growth in business was achieved mainly on international markets, in particular in Italy and Spain.

## Report of the Board of Directors to the Joint General and Extraordinary Meeting of December 7<sup>th</sup> 2004

After devoting the year 2002-2003 to consolidation, **Nickerson Zwaan** once again experienced sustained development of its business, both internationally and on its domestic markets of northern Europe.

Sales reached 30.9 million euros, an increase of 6%, and the net income showed profits of 2 million euros.

As part of the organization of the Professional Division into business units, Vilmorin and Nickerson Zwaan also spent the year for 2003-2004 intensifying their close ties, particularly through research, production, and the implementation of a shared information management system.

As in previous years, **Clause Tézier's** performance was excellent, with sales up 11.4% to 96.2 million euros and net profits of 15.2 million euros. This growth is due to the breakthrough of new product lines both in Europe, in particular southern Europe, and international markets.

Harris Moran ran an excellent campaign in 2003-2004, reaching sales of 69.7 million dollars, reaping the benefits of its development on the Mexican market. Harris Moran pursued its measures to optimize its organization and resources, particularly in the field of research. The result recorded in the accounts on June 30th 2004 shows a loss of 1.6 million dollars, integrating charges of an extraordinary nature that concern its new information system, and is not a true indication of the company's economic success.

In an economic context that is still tense, **Kyowa Seeds** recorded, for the first time in three years, a significant revival of its seed sales, and continues to streamline its business of dealing in agricultural supplies.

By the end of this financial year, sales had reached 21.1 million euros, and the company managed to break even as a result of its strict control over its operating charges.

In the Asia Pacific area, the other companies in the Division (Henderson, Marco Polo Nusantara and the recently founded Marco Polo Thailand) are intensifying their mission to establish and develop research, production and trading.

**Hazera Genetics** joined Vilmorin Clause & Cie's Professional Division in July 2003. Already for this first fiscal year, Hazera has confirmed the quality of its organization and product portfolio, contributing to the performances of the group.

Sales for 2003-2004 reached 49 million euros, and the net global income stood at 4.4 million euros, which was above the objective fixed.

#### Home Garden Division

The companies in the Home Garden Division achieved highly contrasting performances for the fiscal year 2003-2004, depending on the markets. The cooperation strategy adopted for certain functions (procurement, logistics and information technology, etc.) was consolidated, with a new company being purchased during the fiscal year on the German market.

For **Oxadis**, the year was spent completing the redefinition of its business portfolio, and preparing for the launch of its new commercial strategy.

In terms of activity, the fiscal year for 2003-2004 confirmed the company's strong potential with regard to its sales, which reached 106.3 euros, and also to its net income, which rose to 4.5 million euros.

On the German market, **Flora Frey** experienced another difficult year, having to deal with market conditions affected by strong pressure on prices, and also its position on segments some of which are on the decline. In spite of the savings plan adopted at the beginning of the year, Flora Frey closed on June 30th 2004 with a heavy loss of 2.8 million euros, and sales down to 24.3 million euros.

As for **Sperling**, which joined the Home Garden Division in January 2004, its results are on line with objectives; sales reached 4.1 million euros, with profits at 0.7 million euros.

As from the spring of 2004, Flora Frey and Sperling, operating under the same management team, started working on a common development plan, and a schedule to organize and optimize their different functions.

On the Polish market, **CNOS Vilmorin** confirmed its potential for development, with sales of 15.2 million zlotys and a slight profit.

**Ferry Morse** reaped the fruits of its commercial diversification program in 2003-2004, with a progression in sales of 21%, and confirmation of its profitability (net result of 1.2 million dollars).

This year **Suttons'** business was affected by a contraction of its mail-order sales, particularly for young plants, in part owing to unfavorable weather conditions.

The 5.4% drop in its sales to 14.7 million pounds sterling led to a loss of 0.2 million pounds sterling on June 30th 2004.

One positive aspect for the year was Suttons' successful consolidation of its mail-order business for export markets.

Finally, just as in the previous year, the decision to strengthen upstream positions in the Home Garden division continued to prove its worth.

In the sector of the production and supply of flower bulbs, **Van den Berg** (sales: 8.1 million euros, and net profits of 0.2 million euros) now plays a privileged role in the assistance it provides to its sister companies to anticipate market evolution more accurately.

**Top Green**, a company specialized in the lawn seed sector, managed to reinforce its function to supply and market for other companies in the Division, and consolidate the partnership signed with the Danish group DLF. Through its economic performance (sales: 9 million euros, net profit: 0.3 million euros) the company also made a real contribution to the Group's consolidated results.

#### Environmental and social information

Vilmorin Clause & Cie's strategy and business activities by their very nature have been built up in a long-term perspective, since plant breeding and the creation of new varieties can only be achieved over periods of several years.

Consequently the principles involved are those of sustainable development, in environmental, social and economic terms, and these same principles are an integral part of the culture for all the companies in Vilmorin Clause & Cie, constituting one of the foundation stones of their general policy.

#### Environmental information

The products created or developed by Vilmorin Clause & Cie almost exclusively come from a natural milieu, and are intended for food or leisure gardening. Accordingly, they cannot and must not cause any serious or repeated damage to the environment.

In cooperation with Groupe Limagrain, Vilmorin Clause & Cie has therefore adopted a determined and responsible policy, in particular with regard to:

- > the control and processing of effluents and the limitation of industrial pollution,
- > the rigorous respect of all regulations concerning biotechnology and genetically modified organisms,
- > the implementation of means devoted to monitoring and preventing any environmental risks (technical and regulatory watch, alert procedures and crisis management, certification, internal communication through an inter-company network, etc.).

Thus, as for the previous fiscal year, in 2003-2004 Vilmorin Clause & Cie has not had to deal with any environmental accident or answer any procedures involving the payment of damages.

#### Social information

On June 30<sup>th</sup> 2004, the consolidated headcount of Vilmorin Clause & Cie stood at 2 805 permanent employees compared with 2 531 on June 30<sup>th</sup> 2003. The average annual headcount for the fiscal year 2003-2004, stood at 3 029 as opposed to 2 786 for the previous year.

Over the course of the fiscal year, Vilmorin Clause & Cie hired 211 permanent staff, over half of which were in Europe. Moreover, at certain times the group was required to call upon temporary staff because of the seasonal nature of its business; 848 temporary staff were hired in 2003-2004.

During the fiscal year, the main reorganization measures concerned two subsidiary companies of Vilmorin Clause & Cie, either because of a drop in business activity, or as part of structural adjustments. These measures led to a staff reduction of 26 persons.

Almost half the staff followed training courses, with expenditure on training amounting to 1 million euros in 2003-2004, which is above legal requirements.

With regard to the representative provisions for the personnel working at Vilmorin Clause & Cie, these are generally harmonized throughout Europe, in accordance with applicable legislation, and concern works councils and/or shop stewards. During fiscal 2003-2004, eighteen agreements were signed, dealing principally with salaries, working conditions, and sharing the company's profits with employees.

Finally, it should be noted that, bearing in mind the geographical dispersion of the different facilities in Vilmorin Clause & Cie, the working time in each of the subsidiaries varies, depending on the country, from 35 to 48 hours per week and from 203 to 286 days per year.

## Events occurring after closing accounts

There are no significant events that have occurred after the closing of the accounts.

#### Perspectives for the future

The fiscal year for 2003-2004 confirmed Vilmorin Clause & Cie's sustained organic growth in the Professional Division, globally respectable performances in the Home Garden Division, and the successful integration of the recently acquired companies, Hazera Genetics and Sperling.

Vilmorin Clause & Cie's potential for development is built up around a good balance between two business sectors, thus confirming their complementary character in our organization. Report of the Board of Directors to the Joint General and Extraordinary Meeting of December 7<sup>th</sup> 2004

It is based on a certain number of strategic principles defined several years ago:

- > a rational intensification of our research investment in upstream technologies and conventional variety breeding,
- > international development for all our business, both Professional and Home Garden, for all the sectors our companies are working in,
- > strengthening our companies or taking up new competitive positions through external growth operations,
- > accepting or seeking partnerships in sectors where technical expertise or a critical size can boost development in our companies,
- > maintaining a management policy that encourages autonomy in each company's decision-making processes, and the fulfillment of synergy between the different business units.

By adhering to this policy, Vilmorin Clause & Cie will be able to reinforce its position as world leader, both on the Home Garden and Professional markets, and offer sustainable perspectives for growth. Thus, for the fiscal year 2004-2005, Vilmorin Clause & Cie has set the objective of maintaining business and profit growth as it has done in previous years.

#### Stock purchased

NB:A detailed table of subsidiaries and participations is appended to this report.

In July 2003, Vilmorin Clause & Cie raised its stake to 54.9%, taking majority control of the Israeli company Hazera Genetics, in which it already held 12.5% of the stock.

Furthermore, in conjunction with its majority shareholder, Limagrain, Vilmorin Clause & Cie set up a captive arrangement with an insurance program in order to perfect the cover of its risks. To do so it acquired joint 50% control, with the company Limagrain Agro-Industrie SA, of a captive reinsurance company under Luxembourg jurisdiction Cylonie Ré, via a shared holding (Groupe Limagrain Luxembourg).

Finally, on January  $1^{st}$  2004, Vilmorin Clause & Cie took exclusive control of the German company Carl Sperling & Co, via its German subsidiary Flora Frey.

#### Stock sold

Within the framework of its take-over of Carl Sperling & Co,Vilmorin Clause & Cie sold part (12.3% of the stock) of its stake in Flora Frey.

No other significant sale of stock occurred during the fiscal year 2003-2004.

#### Shareholders

At closing date, the stock of Vilmorin Clause & Cie was divided up into 3 188 993 shares each with a par value of 45.75 euros.

A majority of 51.42% of the stock is held by Groupe Limagrain Holding, 9.33% by Sélia and 9.32% by the Coopérative Agricole Limagrain, all three of which are companies belonging to Groupe Limagrain.

On June  $30^{\text{th}}$  2004, Vilmorin Clause & Cie held 13 014 internal shares corresponding to 0.41% of its stock.

#### Application of the profits

We propose that the profits of Vilmorin Clause & Cie should be applied in the following manner:

Net profit on 06.30.04	12 203 900.29 €
Application to legal reserve	610 195.01 €
Profit available on 06.30.04	11 593 705.28 €
Brought forward	16 638 557.70 €
Dividends to distribute	14 669 367.80 €
Carried forward	13 562 895.18 €

The net dividend represents 4.60 euros per share, plus a tax credit of 2.30 euros, thus a global income of 6.90 euros compared to 5.70 euros last year, and 4.725 euros in 2001-2002. As a proportion of the net profits for Vilmorin Clause & Cie, the sums distributed amount to 48.6%.

The total amount of dividends (14 669 367.80 euros), and the final sum to carry forward, do not take into account any possible shares held internally for control on the date the dividends are paid. Any dividends corresponding to these shares will be added to the sum carried forward.

Moreover we wish to inform you that for the last three financial years, dividends were distributed as follows:

	00-01	01-02	02-03
Number of shares	3 188 993	3 188 993	3 188 993
Par	45.75 €	45.75 €	45.75 €
Net dividend per share	3.00 €	3.15 €	3.80 €
Tax credit	1.50 €	1.575 €	1.90 €
Gross dividend per share	4.50 €	4.725 €	5.70 €

## Table of the results of the company over the past five years

In compliance with the provisions of article 148 of the decree of March  $23^{\rm rd}$  1967, the following table shows the results of our company over the past five years.

In thousands of euros	03-04	02-03	01-02	00-01	99-00
Stock at the end of the year					
Stock	145 896	145 896	145 896	145 896	135 751
Number of issued shares	3 188 993	3 188 993	3 188 993	3 188 993	2 968 226
Operations and results					
Total sales before tax	7 034	8 43 I	10 344	8 890	7 332
Profit before tax, profit sharing, amortization, depreciation and provisions	17 609	18 198	II 748	14 211	15 395
Income taxes	70	293	- 252	- 2 947	83
Profit sharing for the year	_	-	-	-	-
Profit after tax, profit sharing, amortization, depreciation and provisions	12 204	12 094	8 825	17 141	14 836
Dividend for distribution	12 118	10 045	9 568	11 086	8 371
Profit per share					
Profit after tax and profit sharing, but before amortization, depreciation and provisions	4.20	4.21	3.08	5.43	5.16
Profit after tax, profit sharing, amortization, depreciation and provisions	3.83	3.79	2.77	5.37	5.00
Dividend per share	3.80	3.15	3.00	3.47	2.82
Headcount					
Average staff (I)	13	44	37	52	33
Benefits	950	I 374	I 531	2 247	I 734
Benefits paid out for the fiscal year	698	893	869	l 186	1 003

<sup>(</sup>I) Number of people.

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#### Information to the Works Council

We inform you that, in compliance with the provisions of article L432-4 of the French Labor Code, the results of your company have been presented to the Works Council, which made no special remarks.

#### Regulatory agreements

We ask you to approve the regulatory agreements governed by the French Commercial Code, and which are duly authorized by your Board of Directors for the fiscal year 2003-2004. Your Statutory Auditors have been informed of these agreements, and present them in their special report.

#### Corporate management system

Administration of your company has been entrusted to a Board of Directors comprising seven members.

During the course of the fiscal year, the Board of Directors co-opted M. Daniel CHÉRON to the office of Director and appointed him CEO to replace M. Pierre LEFEBVRE.

On June 30th 2004, the Board of Directors was composed of the following members:

- > Chairman and Managing Director: Gérard RENARD
- > Director and CEO: Daniel CHÉRON
- > Directors: François DELOCHE, Raoul FAURE, François HEYRAUD, Jean-Denis POULET, Pascal VIGUIER.

NB:A list of terms of office and functions for the members of the Board of Administration is appended to the present report (chapter Corporate governance).

During the fiscal year for 2003-2004, your Board of Directors met seven times.

Moreover, for the purpose of the offices they hold in the subsidiary companies of Vilmorin Clause & Cie, the Members of the Board took part in thirty-two meetings.

#### Token payments or allowances paid to Directors

We wish to inform you that, just as in previous years, your Directors carried out their duties without any remuneration, and that it is therefore unnecessary to come to a decision on any token payments or allowances.

#### Directors' terms of office

• Ratification of the cooptation of a Director

Since M. Daniel CHÉRON was co-opted as Director by your Board of Directors during the meeting of June 25<sup>th</sup> 2004, you must now decide whether to ratify this appointment.

Appointment of a new Director

Since the term of office of M. Pascal VIGUIER has expired, and he has expressed the desire not to renew this term, your Board of Directors proposes that you appoint M. Jean-Paul FAURE to replace him, for a duration of three years, ending at the Annual General Meeting that will deliberate on the financial statements for the fiscal year closing on June 30th 2007.

### Program to buy back shares in accordance with article L225-209 of the Commercial Code

In compliance with the provisions of article L225-211 of the French Commercial Code, we inform you that in order to stabilize our share value, and as part of the buy-back program approved by the Joint General and Extraordinary Meeting of December 4th 2003, we carried out the following operations over the fiscal year:

Number of shares purchased	14 337
Average purchasing price	123.52 €
Number of shares sold	9 468
Average selling price	102.71 €

On June 30<sup>th</sup> 2004, our company held 13 014 shares, corresponding to 0.41% of the stock, at a purchasing value of 1 622 703 euros, which is a unit price of 124.69 euros.

On September 30<sup>th</sup> 2004, our company held 15 910 shares corresponding to 0.50% of the stock at a purchasing value of 2 012 536 euros, which is a unit price of 126.50 euros. The par value of these shares is 45.75 euros.

#### Authorization to proceed with a public stock issue

During the course of the Joint General and Extraordinary Meeting of December 4th 2003, a number of resolutions were made to authorize the Board to proceed, if relevant, with the issue of bonds or other assimilated debt securities, and also to issue shares, various securities and/or stock purchase warrants with the retention or removal of pre-emptive rights; these securities may be issued alone or in conjunction with the bonds or other aforementioned assimilated debt securities. This authorization had been granted for a period of eighteen months.

We propose that, in order to remain attentive to market reactivity and opportunities which might come up as part of any development projects for Vilmorin Clause & Cie, these authorizations be renewed for a period of eighteen months, in accordance with the following provisions:

• Issue of bonds or other assimilated debt securities

We request that you grant full powers to your Board of Directors to take decisions to proceed in one or several operations, whether in France or another country and/or on international markets, in euros or any other currency, or unit of account fixed in reference to several currencies, with the issue of bonds or other assimilated debt securities, with or without a public issue, up to the nominal value of 75 million euros or the equivalent of this sum if issued in a foreign currency, or in a unit of account fixed in reference to several currencies.

The Board of Directors may decide that the bonds, or other debt securities, will be of the perpetual floating or limited floating rate type, either for the stock and/or the interest accrued for these securities.

The Board of Directors may proceed with these issues in the limits fixed above, in compliance with legal provisions and with the articles of association, and may also:

- > determine the period or periods of issue,
- > determine the issue currency and the par value of the loan, > fix the terms and conditions of the bonds and/or debt securities to issue, and in particular: their par value, their issue price, their fixed and/or variable rates of interest, and the payment dates their fixed or variable sprice with or
- issue price, their fixed and/or variable rates of interest, and the payment dates, their fixed or variable s price, with or without premium, and according to market conditions, fix the duration and conditions of amortization for the loan,
- > more generally sign any contract documents or agreements with any banks or institutes, make any provisions and fulfill any formalities concerning the issue, the quotation and the financial management of the aforementioned bonds and/or aforementioned debt securities, and constitute the body of bondholders in compliance with legal provisions, and in a general manner, do all that is required.

The Board of Directors will also have full powers to decide, where necessary, to attach a guarantee to the securities issued and, if this is the case, to define and grant this guarantee, and take any measures for this purpose.

 Stock increase through the issue of shares, of various securities and/or stock purchase warrants with the retention or removal of pre-emptive rights

We request that you grant full powers to your Board of Directors to take decisions to proceed in one or several operations, with the issue of shares, various securities and/or stock purchase warrants with the retention or removal of pre-emptive rights; such issues in particular will be subject to the following conditions and provisions:

- > Each share issue for the company will involve a maximum par value of 75 million euros, to which should be added, where appropriate, the par value of shares to be issued in order to preserve, in compliance with legal provisions, the rights of bearers of securities which grant rights to shares.
- > Each issue of securities other than shares, but which provides access to the stock, must not exceed 75 million euros, or the counter value of this sum if the issue is in a foreign currency or a unit of account fixed in reference to several currencies.
- > In cases where pre-emptive rights are removed, the Board of Directors may grant the shareholders a priority period, in accordance with the duration and conditions it fixes, to apply for securities without creating negotiable, transferable and assignable rights.

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> The issue price of the bonds issued alone must be such that, for each share created, the sum of this price and the price of the exercise of each bond is at least equal to 105% of the average of the opening rates of the former shares of the company for ten consecutive days of stock market exchanges chosen from the twenty days preceding the first day of issue.

- > In cases where shares are distributed at no cost:
- the shares allocated by virtue of former shares which benefit from double voting rights will benefit from this right,
- broken lots are non-negotiable and the corresponding shares must be sold.

Moreover, the Board of Directors can make use of the authorizations granted in the following conditions:

> in order to remunerate securities which are made available to your company within the framework of an exchange offer concerning securities which meet the conditions fixed by article L225-148 of the French Commercial Code,

> in order to proceed with the issue of securities, in cases where one of the subsidiaries, for which your company holds directly or indirectly more than half the stock, issues securities giving access to the stock of your company.

The application of this delegation is laid down in the ordinary and extraordinary resolutions submitted for your approval along with the special report of your Statutory Auditors, which is set out in accordance with provisions of article L255-129 of the French Commercial Code.

#### • Stock increase reserved for employees

We inform you that, in accordance with the provisions of article 29-1 of the law on savings schemes for employees of February 19<sup>th</sup> 2001 and article L225-129 of the French Commercial Code, for any decision to increase the stock, we are obliged to present you with a draft resolution to proceed with a stock increase reserved for employees as part of a company savings scheme or a group savings scheme.

This project is presented to you in the twelfth resolution you will be required to vote on.

The provisions laid down by this legislation do not appear to be relevant to the specific situation of our Group, and the Board of Directors, on this occasion, is not expressing any voting recommendations, leaving the decision up to the free appreciation of each shareholder.

#### General provisions

The rules for presentation and the methods of evaluation adopted to set down these documents respect legislation in force, and take into account the provisions resulting from regulation  $n^{\circ}$  99-02 of the Committee for Accounting Regulations.

In their general report your Statutory Auditors confirm that have accomplished their mission.

With the exception of the twelfth resolution, your Board of Directors invites you to adopt the ordinary, extraordinary and joint resolutions which it is submitting for your approval.

## Consolidated income statement / Fiscal year 2003-2004

In millions of euros	Notes	Variation %	03-04	02-03	01-02
Pre-tax total sales	1-3-4	+ 13.3	492.2	434.5	437.2
Cost of goods sold			- 168.1	- 148.2	- 159.7
Gross margin		+ 13.2	324.1	286.3	277.5
Other operating income	5		9.9	6.9	4.9
Operating resources		+ 13.9	334.0	293.2	282.4
Personnel costs	6		- 131.6	- 114.2	- 115.7
Other operating expenses	7		- 130.9	- 116.0	- 111.6
Taxes			- 5.2	- 4.3	- 4.3
Amortization, depreciation and provisions allowance	8		- 38.2	- 33.0	- 32.5
Amortization, depreciation and provisions write back	8		22.6	20.7	22.6
Operating profits	1-3	+ 9.3	50.7	46.4	40.9
Financial income	9		6.5	4.6	3.8
Financial expenses	9		- 9.2	- 9.9	- 12.5
Profit on ordinary activities for integrated companies	I	+ 16.8	48.0	41.1	32.2
Extraordinary income	10		10.9	3.2	10.2
Extraordinary expenses	10		- 10.9	- 7.1	- 10.1
Income tax	П		- 15.8	- 12.1	- 10.9
Net profit for integrated companies	I	+ 28.3	32.2	25.1	21.4
Results of companies consolidated under equity method	12		1.1	- 0.1	0.1
Amortization of goodwill			- 1.7	- 0.5	- 0.3
Net consolidated profit		+ 29.0	31.6	24.5	21.2
Minority share			1.4	1.2	1.2
Net profit for the group share		+ 29.6	30.2	23.3	20.0

In euros	03-04	02-03
Earnings per share	9.48	7.31
Diluted earnings per share (1)	9.43	7.22

<sup>(</sup>I) After exercising the financial instruments issued as described in Note 23.

## Consolidated balance sheet on June 30th 2004 / Assets

In millions of euros	Notes	06.30.04	06.30.03	06.30.02
Acquisition goodwill	13	19.3	9.4	9.9
- Amortization		- 5.3	- 3.8	- 3.6
		14.0	5.6	6.3
Intangible fixed assets	14	120.6	98.9	97.5
- Amortization and provisions		- 17.2	- 13.2	- 12.4
		103.4	85.7	85.1
Tangible fixed assets	15	184.0	152.7	154.0
- Amortization and provisions		- 117.5	- 97.6	- 98.9
		66.5	55.1	55.1
Financial fixed assets	16	20.0	40.5	41.8
- Provisions		- 3.8	- 2.6	- 2.1
		16.2	37.9	39.7
Equity shares	16	4.2	1.9	1.8
Fixed assets		204.3	186.2	188.0
Inventories	17	173.0	142.4	144.7
- Provisions		- 27.2	- 18.6	- 19.3
		145.8	123.8	125.4
Trade receivables	18	119.8	103.5	115.8
- Provisions		- 6.6	- 5.2	- 5.3
		113.2	98.3	110.5
Other receivables and accruals	19	68.8	82.1	52.0
- Provisions		-	- 0.1	- 0.1
		68.8	82.0	51.9
Securities invested	20	16.1	1.0	1.4
Cash and bank in hand		34.5	12.7	16.7
Current assets		378.4	317.8	305.9
Total assets		582.7	504.0	493.9
Guarantees received	28	0.1	0.1	-

## Consolidated balance sheet on June $30^{\text{th}}$ 2004 / Liabilities

In millions of euros	Notes	06.30.04	06.30.03	06.30.02
Equity – Group share	21	278.3	267.7	263.9
Share capital		145.9	145.9	145.9
Premiums		29.3	29.3	29.3
Consolidated reserves and income		107.3	89.8	76.8
Others		- 4.2	2.7	11.9
Minority interests	22	37.7	18.9	19.1
Consolidated equity		316.0	286.6	283.0
Non redeemable funds and assimilated		-	-	_
Provisions for liabilities				
and charges	24	23.1	17.2	11.3
Loans and financial debts	25	119.1	93.5	90.9
Accounts payable	26	50.7	49.0	50.1
Other liabilities and accruals	27	73.8	57.7	58.6
Total debts		243.6	200.2	199.6
Total liabilities		582.7	504.0	493.9
Commitments and contingencies	28	26.3	25.1	27.4

### Consolidated cash-flow statement

In millions of euros	03-04	02-03	01-02
I - Trading operations			
Income for the year	31.6	24.5	21.2
Depreciation and provisions	15.7	13.6	15.6
Amortization of acquisition goodwill	1.7	0.5	0.3
Results of companies consolidated			
under equity method after dividends	- 0.8	0.1	- 0.1
Deferred tax	- 1.8	- 2.5	- 0.7
Income from capital operations	- 3.0	0.6	- 2.6
Cash-flow	43.4	36.8	33.7
Variation in working capital needs with comparable scope			
> Inventory	10.9	1.8	9.9
> Trade debts	4.7	8.5	27.9
> Short term debts	- 1.6	- 3.7	- 2.8
Cash-flow related to trading operations	57.4	43.4	68.7
2 - Investment operations			
Sale of fixed assets	5.2	0.1	4.6
Acquisition of fixed assets			
> Intangible fixed assets	- 1.0	- 4.4	- 4.0
> Tangible fixed assets	- 11.7	- 11.8	- 9.7
> Financial fixed assets	- 5.1	- 0.1	-
> Cost spread over several financial years	- 1.3	- 2.7	- 1.5
Variation in scope - Acquisitions (1)	- 20.8	- 0.1	- 0.7
Variation in scope - Sales (1)	-	1.6	2.7
Variation in loans recorded as fixed assets	3.0	0.6	- 3.8
Incidence of cash-flow variation	- 0.8	0.6	- 1.7
Cash-flow related to investments	- 32.5	- 16.2	- 14.1
3 - Funding operations			
Variation in shareholders' equity	-	0.1	0.2
Variation in financial debts	14.8	9.6	- 29.4
Distribution of dividends	- 13.0	- 10.3	- 10.0
Influence of cash-flow offset	-	-	16.1
Cash-flow related to financial operations	1.8	- 0.6	- 23.1
4 - Incidence of exchange rate variations	- 4.5	- 9.7	- 14.9
5 - Cash and bank variation	22.2	16.9	16.6
6 - Opening cash position (2)	57.2	40.3	23.7
7 - Ending cash position (2)	79.4	57.2	40.3

<sup>(</sup>I) Net of cash coming in or going out.

<sup>(2)</sup> Including advance cash payments recorded in "Other receivables".

## NOTES TO THE CONSOLIDATED ACCOUNTS ON JUNE 30th 2004

## I . CONSOLIDATION METHODS AND PRINCIPLES

The consolidated financial statements for June  $30^{\text{th}}$  2004 have been drawn up in accordance with the decree of June  $22^{\text{nd}}$  1999 probating regulation  $n^{\circ}$  99-02 of the French Committee for Accounting Regulations.

### A . Scope and consolidation method

The company Vilmorin Clause & Cie is held by:

Different companies belonging to Groupe Lima	grain
(Groupe Limagrain Holding,	
Société Coopérative Agricole Limagrain, Sélia)	70.07%
General public	29.52%
Internally held shares	0.41%

#### Consolidation scope

Vilmorin Clause & Cie's consolidation scope includes the accounts of the following companies:

Company	Country	% Voting rights	Financial	Conso- lidation method
Alliance Semillas	Chile	51.00	48.13	IG
Alliance Semillas de Argentina	Argentina	100.00	94.36	IG
American Bio Corporation (ABC)	United States	100.00	100.00	IG
Anadolu	Turkey	47.48	44.78	EQ
Asamia Cold Storage Lt	td Israel	100.00	54.89	IG
BioSeeds	Netherlands	25.00	25.00	EQ
Biotech Mah Manageme	ent Israel	50.00	27.45	IP
Carl Sperling & Co	Germany	100.00	77.18	IG
Clause Harris Moran Tézier (CHMT)	South Africa	50.00	47.18	ΙP
Clause Tézier India	India	100.00	99.97	IG
Clause Tézier do Brazil	Brazil	98.00	97.97	IG
Clause Tézier Iberica	Spain	100.00	99.97	IG
Clause Tézier Italia	Italy	100.00	99.97	IG
Clause Tézier	France	99.97	99.97	IG
CNOS Vilmorin Sp. Z o	.o. Poland	51.00	39.36	IG
Cylonie Ré	Luxembourg	50.00	50.00	IP
Ferry Morse	United States	100.00	100.00	IG

Flora Frey GmbH	Germany	77.18	77.18	IG
Flora Geissler	Switzerland	100.00	77.18	IG
Groupe Limagrain				
Luxembourg	Luxembourg	50.00	50.00	IP
Harris Moran Seeds Inc	United States	100.00	94.36	IG
Hazera Canarias	Spain	51.00	28.00	IG_
Hazera Espana	Spain	100.00	54.89	IG.
Hazera Genetics Ltd	Israel	54.89	54.89	IG_
Hazera Holding International BV	Netherlands	100.00	54.89	IG
Hazera Mauritius Ltd	Mauritius	100.00	54.89	IG
Hazera Seeds Inc	United States	100.00	54.89	IG
Hazera Tohumculuk				
ve Ticaret AS	Turkey	99.99	54.89	IG.
Henderson Seeds JV	Australia	50.65	50.65	IG
Kyowa Seeds	Japan	40.01	40.01	IP
Marco Polo Seed Nusantara	Indonesia	86.96	86.96	IG
Marco Polo Seed				
Thailand	Thailand	100.00	100.00	IG
Nickerson Zwaan BV	Netherlands	100.00	94.32	IG
Nickerson Zwaan Gmb	H Germany	100.00	94.32	IG
Nickerson Zwaan India	India	99.85	94.18	IG
Nickerson Zwaan Ltd U	nited Kingdom	100.00	94.32	IG
Nickerson Zwaan				
Sp. Z o.o.	Poland	100.00	94.32	IG.
Oxadis	France	99.99	99.99	IG.
Oxadis Srl	Italy	99.00	98.99	IG_
Plant Development Australia	Australia	100.00	100.00	IG
Semillas Harris Moran	Mexico	100.00	94.36	IG
Sperling GmbH	Germany	100.00	77.18	IG
	nited Kingdom	100.00	100.00	IG
Top Green	France	50.00	50.00	IP
Triagro	Australia	25.00	25.00	EQ
Van den Berg	Netherlands	80.00	80.00	IG
VCC Seeds Ltd	Israel	100.00	100.00	IG
Vilmorin	France	99,96	94.32	IG
Vilmorin Clause & Cie	France	100.00	100.00	IG
Vilmorin Iberica	Spain	99.78	94.11	IG
Vilmorin Inc	United States	100.00	100.00	IG
Vilmorin Italia	Italy	100.00	94.38	IG
+ in Fronti Franta	italy	100.00	7 1.50	

- > IG: Global Integration
- > IP: Proportional Integration
- > EQ: Equity method

Variation in scope

The following changes occurred:

Entries into the consolidation scope:

> Through the purchase of a stake: The sub-group Hazera with its 13 companies, Carl Sperling & Co, Sperling GmbH, Cylonie Ré.

> Through the creation of companies:

VCC Seeds Ltd Israel, Groupe Limagrain Luxembourg Sca, Marco Polo Seed Thailand, Nickerson Zwaan India, Hazera Tohumculuk ve Ticaret AS.

- > Through the first consolidation of a stake already held:
- Anadolu, since the group now exerts significant influence in this company.

Exits from the scope:

- > Companies no longer in business:
- Clause UK.
- > Through a loss of significant influence:
- Crozilène.

Mikado was not consolidated, as the group does not have significant influence in this company.

#### Consolidation methods

Most companies in the group close their accounts on June 30th. Consequently, consolidation was based on the accounts closed on this date. For companies that close on a different date, an intermediate statement was made on June 30th.

Consolidation was applied according to the following rules:

By Global Integration for companies under the exclusive control of Vilmorin Clause & Cie. Exclusive control is the result of:

- > the direct or indirect ownership of the majority of the voting rights,
- > or the designation, for two successive years, of the majority of the members of the board, the management or supervision,
- > or the possibility to exert decisive influence.

By Proportional Integration for companies under joint control with a limited number of partners from outside the group.

By the Equity Method for companies in which Vilmorin Clause & Cie exerts significant influence; this is considered to be the case where it holds at least 20% of the capital.

Non-consolidated participations are entered in the line "Financial assets" for the amount paid, after deduction of any provisions.

<u>Calculating the earnings per share</u>: the diluted earnings per share are calculated taking into account the exercise of all possible rights for the dilutive instruments as described in Note 23 and in accordance with the share buy-back method.

### B. Accounting methods and principles

The accounting methods and principles used to draw up the consolidated financial statements are as follows:

• Intangible and tangible fixed assets

These are shown at cost of acquisition or production.

Intangible assets corresponding to purchased business goodwill or to genetic material bought or created are not amortized.

Brand values are fixed in accordance with the principles set out in Note 14.

The costs of developing new proprietary varieties are amortized over periods between five and ten years, and provisions are made when the usage value of genetic material is less than net book value, in accordance with the procedure set out in Note 14.

Costs in relation to follow-up research and development programs are accounted for as operating expenses.

Expenses in relation to the start up of new research and development programs can be recorded as fixed assets if there is a realistic chance of technical and commercial success. In such cases, amortization commences as soon as they are marketed. Provisions for depreciation may be set up if specific risks become apparent.

Depreciation of tangible fixed assets is calculated using the straight-line method with expected asset lives, which correspond to those in general use in the industry:

> buildings and specialized complex

installations 10 to 20 years
> plant and machinery, industrial tools
> other tangible fixed assets
(vehicles and office equipment) 5 to 10 years

#### • Financial assets

Gross value represents acquisition cost. The book value of the stock is based upon the activity, the results and the perspectives of the subsidiaries. Where necessary, provisions are made to take into account the value of the participation and the proportion of the equity held.

#### Inventories

These are valued at gross value excluding financial and any under-activity expenses.

When cost as defined above exceeds expected net realizable value, a depreciation provision of the same value as the excess is made in order to account for the following risks:

- > sale price is less than market value,
- > expected future market conditions,
- > poor quality of seeds (mainly poor germination or sanitary problems).

#### Receivables

Receivables are valued at their nominal value. Provisions are made when book value exceeds current inventory value.

#### • Foreign currency transactions

Income and expenses denominated in foreign currency are recorded using the exchange rate at the date of the operation. Amounts receivable or payable in foreign currency are converted into euros using the closing rate for the year, or the cover rate, as appropriate.

#### Preferential methods

Vilmorin Clause & Cie uses the following preferential methods as recommended by regulation  $N^{\circ}$  99-02:

- > recording end of career benefits in provisions for liabilities and charges,
- > restatement of real estate leases,
- > amortization of the issue costs and redemption premiums for bond loans over their full duration,
- > direct recording in the result of any foreign currency fluctuations for receivable and payables.

## C . Consolidation methods and principles

Before consolidation, the annual financial statements of individual companies are subject to the following restatements:

#### Fiscal provisions

Fiscal provisions subject to legal provisions and investment grants have been restated either in the reserves or, with regard to any variations, in the result.

#### Deferred taxes

Deferred taxes have been accounted for using the variable carry forward method with respect to all temporal variations. The following have been taken into account for this purpose:

> purchase price discrepancy, with the exception of intangible assets, which generally cannot be amortized and which could not be sold independently of the company itself,

> timing differences and other consolidation restatements causing discrepancies between an accounting and a fiscal analysis (legal provisions, investment subsidies, leasing agreements, margin on inventory, income from the sale of assets within the group, end of career benefits, etc.).

For each company, or for each fiscal integration scope, depending on the case, an active or passive deferred tax position is determined:

- > the net active position is only maintained where the profitability of the companies concerned appears sufficiently ongoing,
- > the net passive position can, in certain circumstances, be reduced by the amounts of any fiscal deficits deferred if such compensation appears reasonable,
- > deferred tax assets related to tax losses are not accounted for except in exceptional and justifiable cases.

#### • Tangible assets

Tangible assets are generally amortized in accordance with homogeneous plans laid down within Vilmorin Clause & Cie. In the case of significant discrepancies, the appropriate restatements are made.

#### • Purchase price discrepancies

Purchase price discrepancies are appropriated at their real value, where this can be identified, to the appropriate lines of the balance sheet, and amortized in accordance with the economic life fixed in each case. The balance is recorded in the line "Acquisition goodwill".

Consolidated acquisition goodwill is recorded in the assets of the consolidated balance sheet when the group's share of equity is lower than the value of the shares. Otherwise, it is recorded in the liabilities of the balance sheet in the line "Provisions for liabilities and charges".

Acquisition goodwill is amortized or written back as appropriate. The duration for amortization is generally twenty years, and for the goodwill written back the duration is three to five years; this duration can be modified depending on the economic appreciation for each company.

The main acquisition and selling operations with a significant impact on the situation of Vilmorin Clause & Cie are set out in the notes.

#### • The accounts of non-French companies

The accounts of non-French companies have been converted into euros on the following basis:

- > for the balance sheet: at the exchange rate of close date June  $30^{\text{th}}$  2004,
- > for the income statement: at the average rate for the fiscal period.

Any differential resulting from this conversion method appears in the reserve accounts of the balance sheet.

- Finally, the following eliminations and restatements were made, as necessary for consolidation:
- > internal group transactions and reciprocal accounts have been eliminated,
- > dividends paid between consolidated companies have been restated
- > allowances and write-back on provisions for shares concerning consolidated companies have been restated,
- > internal margins on inventory have been eliminated,
- > capital gains on internal sales have been eliminated.

#### D. Changes in methods

Accounting methods did not change during the fiscal year.

## II . NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1: Comparability of the income statements

In millions of euros	Variation %	03-04 pro-forma	02-03 pro-forma	01-02 pro-forma
Sales	+ 2.6	444.4	433.1	413.3
Operating income	+ 1.3	46.9	46.3	40.0
Financial result	-	- 3.1	- 5.5	- 8.2
Profit on ordinary activities for integrated companies	+ 7.4	43.8	40.8	31.8
Extraordinary result	-	- 0.3	- 4.0	0.4
Income tax	-	- 16.1	- 12.2	- 10.9
Net profit for integrated companies	+ 11.4	27.4	24.6	21.3
Results of companies consolidated under equity method	-	0.5	-	-
Amortization of acquisition goodwil		- 1.3	- 0.4	- 0.3
Total consolidated net profit	+ 9.9	26.6	24.2	21.0

- > For these three fiscal years, the pro-forma results were obtained by applying exchange rates for the year 2002-2003 in order to neutralize the impact of foreign exchange fluctuations.
- > The companies Clause Seeds India and Semillas Harris Moran entered the group during the fiscal year 2002-2003, and have been neutralized over 2002-2003, and 2003-2004.
- > The companies Flora Frey Austria GmbH, Harris Moran Canada, Harris Moran Mexico, Oxadis SI, Plant Partners S.c.i.c.a. and Quhodival left the group during the fiscal year 2002-2003, and have been neutralized for the previous fiscal year.
- > The companies that entered the scope during the fiscal year 2003-2004 (all the Hazera group, Anadolu, Carl Sperling & Co, Cylonie Ré, Groupe Limagrain Luxembourg, Marco Polo Seed Thailand, Nickerson Zwaan India, Sperling GmbH, VCC Seeds Ltd) have been neutralized for the fiscal year 2003-2004.
- >The companies that left the scope during the fiscal year 2003-2004 (Clause UK and Crozilène) have been neutralized for the two previous fiscal years.

## Note 2: Information concerning variations in the consolidation scope

During the course of the fiscal year, there were various changes in the consolidation scope. Significant transactions had the following consequences:

#### Entries in the scope

Companies	Hazera	Sperling	Cylonie Ré	Groupe Limagrain Luxembourg Sca	Anadolu
Date of entry in the scope	07.01.03	01.01.04	10.31.03	10.31.03	01.01.04
% acquired					
> During the fiscal year	42.40%	100.00%	49.99%	(creation) 49.99%	47.48%
> Before the fiscal year	12.49%	-	-	-	-
Consolidation method adopted	Global Integration	Global Integration	Proportional Integration	Proportional Integration	Equity
Acquisition price of the shares					
> During the fiscal year	27.2 M€	2.4 M€	II.0 M€	11.2 M€	0.1 M€
> Before the fiscal year	22.6 M€	-	-	-	-
Repercussions on balance sheet					
> Fixed assets	38.7 M€	2.2 M€	-	11.0 M€	-
> Equity shares	-	-	-	-	1.7 M€
> Working capital needs	35.3 M€	2.7 M€	I.4 M€	-	-
> Provisions for liabilities and charges	- 0.9 M€	- I.5 M€	- 4.2 M€	-	-
> Net indebtedness/cash flow	- 9.2 M€	- 2.5 M€	12.9 M€	-	-
> Minority interests	- 21.8 M€	-	-	-	-
> Equity acquired	42.I M€	0.9 M€	I0.I M€	II.0 M€	I.7 M€
Positive acquisition goodwill	7.7 M€	I.5 M€	I.0 M€	-	-
Result of the first consolidation	-	-	-	-	I.6 M€

#### • Further information

> Anadolu concerns the first consolidation of a stake previously held because the group now exerts significant influence in the company.

The result of the first consolidation corresponds to aggregate results from previous fiscal years which were not distributed.

> The company Groupe Limagrain Luxembourg was founded with the aim of acquiring the company Cylonie Ré. The investment of II million euros corresponds to the shares purchased in this latter company.

In conjunction with Limagrain, its parent company, Vilmorin Clause & Cie set up an insurance program through Cylonie Ré, its reinsurance captive company, in order to extend risk cover of civil liability and intellectual property.

Thus Vilmorin Clause & Cie has, since July 1st 2003, consolidated 50% of the reinsurance company Cylonie Ré, acquired in conjunction with Limagrain Agro Industrie. This company is consolidated using the proportional integration method.

The repercussions of this operation are presented in Notes 2, 5, 13, 16, 24 and 28.

> Various other companies were founded during the fiscal year without leading to any significant consequences on the group's consolidated financial statements. These concern:

Companies	VCC Seeds Ltd Israel	Marco Polo Seed Thailand	Nickerson Zwaan India	Hazera Tohumculuk ve Ticaret AS
Date of entry in the scope	09.01.03	01.01.04	07.01.03	05.07.04
% held	100.00	100.00	99.85	99.99
Consolidation	Global	Global	Global	Global
method adopted	Integration	Integration	Integration	Integration

#### Exits from the scope

The following companies left the scope, without any significant consequences on the group's consolidated financial statements:

Companies	Crozilène	Clause UK
Date of exit	07.01.03	07.01.03
% held	22.00	100.00
Consolidation method adopted	Equity	Global Integration
Reason for exit	Loss of influence	No activity

#### Note 3: Sectorial information

In compliance with regulation  $N^{\circ}$  99-02, we show the breakdown of sectorial information into business sectors and geographical area.

#### Information concerning each business sector

In millions of euros	Holdings	Professional	Home Garden	Total
		Division	Division	
Sales				
03-04	-	292.5	199.7	492.2
02-03	0.2	234.3	200.0	434.5
Operating income				
03-04	- 1.8	42.9	9.6	50.7
02-03	- 0.6	37.4	9.6	46.4
Net fixed assets				
06.30.04	10.7	162.7	30.9	204.3
06.30.03	30.6	125.6	30.0	186.2

#### Information on each geographical area

In millions of euros	Europe	North America	Asia / Pacific	Others	Total
Sales					
03-04	335.4	93.0	53.1	10.7	492.2
02-03	318.0	85.6	25.8	5.1	434.5
Operating income					
03-04	45.6	2.3	1.9	0.9	50.7
02-03	39.8	6.1	- 0.3	0.8	46.4
Net assets					
06.30.04	130.4	32.6	40.7	0.6	204.3
06.30.03	146.0	32.6	7.0	0.6	186.2

#### Note 4: Sales

#### Analysis by nature

In millions of euros	03-04	02-03	01-02
Goods			
and finished products	488.3	429.8	430.0
Services	3.9	4.7	7.2
Total	492.2	434.5	437.2

#### Analysis by geographical area

This analysis concerns finished goods and goods for resale.

In millions of euros	03-04	02-03	01-02
France	152.6	154.2	148.6
Non-France	335.7	275.6	281.4
European Union	146.1	121.9	120.9
Other European countries	8.9	16.5	15.0
North America	86.1	72.8	71.5
Central and South America	15.1	9.9	15.5
Oceania, Middle and Far East	59.6 (1)	43.9	48.5
Africa and Other countries	19.9	10.6	10.0
Total	488.3	429.8	430.0

<sup>(</sup>I) Including Japan 20.2 and Israel 9.7.

#### Analysis by product

In millions of euros	03-04	02-03	01-02
Forage and lawn seeds	25.6	15.9	21.1
Vegetable and flower seeds, and young plants	383.1	325.5	316.3
Straw cereal seeds	4.2	-	-
Other seeds	1.0	0.1	10.6
Other products	74.4	88.3	82.0
Total	488.3	429.8	430.0

#### Sales at constant exchange rates

At constant exchange rates, the sales for goods and finished products would be 505.8 million euros, namely an increase of 17.7%.

### Note 5: Other operating income

In millions of euros	03-04	02-03	01-02
Operating subsidies	0.4	0.4	0.5
Capitalized production	-	-	0.1
Transfer of operating expenses	6.5	5.3	2.4
Other income	2.7	1.1	1.6
Royalties for proprietary variety concessions patents and brands	0.3	0.1	0.3
Total	9.9	6.9	4.9

#### Further information

The royalties received mainly concern income from proprietary variety concessions.

The line "Other products" includes 1.3 million euros retrocession of insurance premiums to the company Cylonie Ré as part of the reinsurance program.

#### Note 6: Personnel costs

In millions of euros	03-04	02-03	01-02
Gross salaries	94.6	82.5	88.0
Social charges	33.6	29.0	25.4
Legal profit-sharing	3.4	2.7	2.3
Total	131.6	114.2	115.7

#### Information on the personnel

• Average annual headcount

#### ANALYSIS FRANCE/OTHER

	03-04	02-03	01-02
France	1 363	I 368	I 403
Other	1 666	1 418	I 454
Total	3 029	2 786	2 857

#### ANALYSIS BY EMPLOYEE STATUS

	03-04	02-03	01-02
Management	733	628	632
Non-Management	2 296	2 158	2 225
Total	3 029	2 786	2 857

• Permanent staff

#### ANALYSIS FRANCE/OTHER

	03-04	02-03
France	1 191	1 198
Other	1 614	I 333
Total	2 805	2 53 1

#### ANALYSIS BY EMPLOYEE STATUS

	03-04	02-03
Management	756	640
Non-Management	2 049	1 891
Total	2 805	2 53 I

#### ANALYSIS BY FUNCTION

	03-04	02-03
Administration	441	343
Research	505	433
Agronomic production and factory	997	937
Sales and marketing	862	818
Total	2 805	2 53 1

The variation in scope (Hazera and Sperling) is responsible for the increase of 327 permanent staff.

## Note 7: Information concerning transactions with affiliated companies

The majority of the company Vilmorin Clause & Cie's stock is held by Groupe Limagrain. Economic relations developed with other companies in this group during the fiscal year are as follows:

#### RECEIVABLES AND DEBTS ON JUNE 30th 2004

In millions of euros	Assets	Liabilities
Operating receivables and debts	0.4	1.2
Financial receivables and debts	28.1	19.0
Total	28.5	20.2

#### EXPENSES AND INCOME FOR THE FISCAL YEAR

In millions of euros	Expenses	Income
Purchases and sales of goods	3.2	0.8
Corporate allocations	10.3	_
Other operating expenses and income	1.7	2.5
Financial expenses and income	0.9	1.3
Total	16.1	4.6

#### Further information

#### • Corporate allocations

Corporate allocations are billed by Groupe Limagrain to the subsidiaries of Vilmorin Clause & Cie on a proportional basis of budgeted expenses.

Criteria applied homogeneously since the fiscal year 1997-1998 in Groupe Limagrain to calculate the proportion take into account:

- > For general management services:
- sales,
- added value,
- research and development costs,
- salary costs.

Each of these criteria is weighted 25% in the global calculations.

- > For services of a scientific nature:
- research and development costs,
- added value.

Each of these criteria is weighted 50% in the global calculations.

The method remained unchanged over the fiscal year, compared to previous years. The total sum of corporate allocations came to 10.3 million euros compared with 9.2 million euros for the previous year.

#### • Cash flow agreements

Companies in the group have signed agreements with Groupe Limagrain Holding in order to optimize the management of their cash flow under conditions that provide lenders with a financial margin of 0.18% over the average monthly EONIA rate.

#### • Other operations

Other operations correspond to commercial transactions made on the basis of market prices.

## Note 8: Movements on provisions (operating income)

In millions of euros	03	03-04		02-03		01-02	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	
Amortization & depreciation	13.3	0.1	11.9	-	11.4	-	
Provisions	24.9	22.5	21.1	20.7	21.1	22.6	
Inventory	19.1	18.4	17.5	17.7	17.2	19.4	
Debtors	3.0	3.0	2.1	2.0	2.5	2.1	
Liabilities and charges	2.8	1.1	1.5	1.0	1.4	1.1	
Total	38.2	22.6	33.0	20.7	32.5	22.6	

Due to the specific nature of the products, provisions on inventory are, in most cases, fully written back each year, and new provisions made.

#### Note 9: Financial result

In millions of euros	03-04		02	02-03		01-02	
	Expense	Income	Expense	Income	Expense	Income	
Dividends received	-	-	-	0.2	-	-	
Foreign currency fluctuations	1.8	3.4	1.1	0.6	1.2	0.4	
Interest and miscellaneous	7.2	2.7	7.4	3.1	9.2	3.4	
Movement on provisions	0.2	0.4	1.4	0.7	2.1	-	
Total	9.2	6.5	9.9	4.6	12.5	3.8	

### Note 10: Extraordinary result

In millions of euros	03-04		02	02-03		01-02	
	Expense	Income	Expense	Income	Expense	Income	
Non-capital items	3.6	1.4	3.4	0.5	3.4	1.6	
Capital items	3.8	6.9	0.8	0.2	4.2	7.6	
Movements on provisions and charge transfers	3.5	2.6	2.9	2.5	2.5	1.0	
Total	10.9	10.9	7.1	3.2	10.1	10.2	

#### Further information

The extraordinary result includes the following main operations:

In millions of euros	
First consolidation dilution profits	1.6
Capital gains on the sale of fixed assets	
Shares	1.3
Tangible and intangible fixed assets	0.1
Reorganization programs, social allowances	- 0.9
Tax litigation	- 0.4
Provisions on securities	- 1.1
Sales litigations and miscellaneous	- 0.6
Total	0.0

The incidence of the extraordinary result on income tax is approximately 0.1 million euros (income).

The proportion of minorities in the extraordinary result is insignificant.

Provisions on securities concern the unconsolidated stake held in the company Mikado.

#### Note II: Income tax

In millions of euros	03-04	02-03	01-02
III IIIIIIIIIIII OI EUI OS	03-04	02-03	01-02
Income tax	17.6	14.6	11.6
Тах	17.9	14.7	12.1
Tax relief	- 0.3	- O. I	- 0.5
Deferred taxation	- 1.8	- 2.5	- 0.7
Total	15.8	12.1	10.9

#### Further information

• Comparison between tax charges recorded in accounts and theoretical tax charges

	03-04	02-03
Theoretical tax rate	- 34.33%	- 34.33% (1)
Non deductible charges	7.97%	4.55%
Non-taxed or partially taxed income – rate differentials	- 8.41%	- 3.52%
Tax credits	0.68%	0.25%
True tax rate	- 34.09%	- 33.05%

(1) 33.33% plus the extra contribution of 3%.

• Information on tax losses

The group's situation for tax losses is as follows:

In millions	Tota	al deficits	Usable deficits	
of euros	France	Other	France	Other
Deficits carried forward indefinitely	-	12.5	-	12.5
Deficits with limited carry forward	-	2.7	-	1.8
Total	-	15.2	-	14.3

Deferred tax debits corresponding to the total deficits, and not recorded in the accounts, amount to 4.5 million euros.

Since July  $1^{\text{st}}$  2000, the company Vilmorin Clause & Cie has been at the head of a fiscal integration group including the companies Clause Tézier SA and Oxadis.

## Note 12: Results of companies consolidated under equity method

In millions of euros	03-04	02-03	01-02
BioSeeds	0.5	- 0.05	-
Anadolu	0.6	-	-
Crozilène	-	- 0.05	0.1
Total	1.1	- 0.1	0.1

The company Anadolu was first integrated as from January  $I^{x}2004$ .

### Note 13: Acquisition goodwill

#### Gross

In millions of euros		
Total on 06.30.03	9.4	
Scope exits	- 0.2	
Scope variations	10.3	
Currency fluctuations	- 0.2	
Total on 06.30.04	19.3	

#### Amortization

In millions of euros		
Total on 06.30.03	3.8	
Amortization	1.6	
Currency fluctuations	- 0.1	
Total on 06.30.04	5.3	

#### Further information

Acquisition goodwill is amortized over twenty years, with the exception of goodwill related to Flora Frey, which was fully amortized over the fiscal year, considering the losses recorded for this company. Supplementary amortization recorded for this purpose came to 0.8 million euros.

The breakdown of acquisition goodwill for each company is as follows:

	Gross	Amortization	Net
Alliance Semillas			
de Argentina	0.2	-	0.2
BioSeeds	- 0.4	0.1	- 0.3
Carl Sperling & Co	1.6	-	1.6
Clause Tézier and its subsidiaries	5.5	- 2.2	3.3
Cylonie Ré	1.0	- 0.1	0.9
Flora Frey GmbH	1.3	- 1.3	_
Harris Moran Seeds	2.2	- 1.4	0.8
Hazera Espana	0.1	-	0.1
Hazera Genetics Ltd	5.1	- 0.3	4.8
Henderson Seeds JV	0.2	-	0.2
Nickerson Zwaan Ltd	- 0.2	0.1	- 0.1
Triagro	0.1	- 0.1	-
Van den Berg	0.2	-	0.2
Vilmorin	2.4	- 0.1	2.3
Total	19.3	- 5.3	14.0

- > The increase in acquisition gooodwill with respect to the variation in scope is largely due to the following companies:
- Hazera to the value of 5.2 million euros,
- Cylonie Ré to the value of I million euros,
- Sperling to the value of 1.5 million euros,
- and also to an increase in the stake of the Vilmorin group and Harris Moran Seeds Inc following the acquisition of Hazera to the value of 2.4 million euros.

### Note 14: Intangible fixed assets

#### Gross

In millions of euros	06.30.03	Acquisitions	Exits	Realloca- tion	Variation of scope	Currency fluctuation	06.30.04
Start-up costs	0.1	-	-	-	-	-	0.1
Concessions, patents, licenses	55.2	0.8	- 0.1	0.3	3.7	- 0.4	59.5
Business goodwill	6.9	-	- 0.1	-	-	- O. I	6.7
Other intangible fixed assets	34.3	0.2	-	2.7	19.0	- 2.2	54.0
Pre-payments	2.4	-	-	- 2.1	-	-	0.3
Total	98.9	1.0	- 0.2	0.9	22.7	- 2.7	120.6

#### **Amortization**

In millions of euros	06.30.03	Amortiza- tion	Exits	Realloca- tion	Variation of scope	Currency fluctuation	06.30.04
Start-up costs	-	-	-	-	-	-	-
Concessions, patents, licenses	9.9	1.6	- 0.1	0.1	1.5	- 0.2	12.8
Business goodwill	1.8	0.1	-	-	-	-	1.9
Other intangible fixed assets	1.5	0.4	-	0.6	-	-	2.5
Total	13.2	2.1	- 0.1	0.7	1.5	- 0.2	17.2

#### Further information

Variations of scope correspond to the following operations (net amount):

- > acquisition of Hazera to the value of 19.5 million euros,
- > acquisition of Sperling to the value of 1.7 million euros.
- The line "Concessions, patents, licenses"

mainly includes the value given to brands, patents and licenses for the following companies:

In millions of euros	Gross	Amortization and provisions	Net				
Main brands (I)	40.0	-	40.0				
Main patents and licenses							
Vilmorin	3.4	- 3.4	-				
Clause Tézier	3.7	- 3.7	-				
Vilmorin Clause & Cie	0.3	- 0.1	0.2				
Others							
(mainly software)	12.1	- 5.6	6.5				
Total	59.5	- 12.8	46.7				

#### (I) BREAKDOWN OF THE MAIN BRANDS

Companies	Brands	Values in M€
Vilmorin	Vilmorin	11.0
Clause Tézier		16.5
	including Clause	7.6
	Tézier	2.5
	Vita	6.4
Oxadis		3.3
	including Abondance	1.8
	Tyrol	0.9
	Aimé	0.6
Suttons	Suttons	2.2
Harris Moran Seeds	Harris Moran	5.2
Sperling GmbH	Sperling	1.8

Brands are valued according to criteria of profitability and reputation compared with competing brands, and for a planned period of 10 years. If this estimate drops below book value, then provisions are made.

Plant breeds included in the line "Patents and licenses" are fully amortized.

• The line "Other intangible fixed assets"

includes basic germplasm comprising all the plant material which can be used to create new varieties.

The balance sheet value corresponds to the historical values appearing in the accounts of the subsidiaries, and also to the difference in the value of the balance sheet when the companies Clause Tézier, Nickerson Zwaan BV and Hazera were acquired. Provisions are made when these values rise above three years of research costs.

The main germplasm is as follows:

Companies	Net value in M€
Clause Tézier	12.0
Harris Moran Seeds	7.6
Hazera Genetics Ltd	16.9
Kyowa Seeds	2.0
Henderson Seeds JV	1.9
Nickerson Zwaan BV	5.3
Vilmorin	3.2
Total	48.9

#### • Research and development costs

directly included in operating expenses amount to 36 million euros as opposed to 29.4 million euros in 2002-2003. With constant consolidation scope the increase stands at 6.8%.

#### Analysis by currency

In millions of euros		Totals on 06.30.04		06.30.03
	Gross	Amortization and provisions	Net	Net
Euro	80.4	- 14.4	66.0	65.0
US dollar	13.9	- 0.5	13.4	14.2
Pound sterling	2.9	- 0.7	2.2	2.1
Yen	2.1	- O. I	2.0	1.9
Australian dollar	2.0	-	2.0	2.0
Shekel	18.7	- 1.4	17.3	-
Other currencies	0.6	- O. I	0.5	0.5
Total	120.6	- 17.2	103.4	85.7

### Note 15: Tangible fixed assets

#### Gross

In millions of euros	06.30.03	Acquisi-	Exits	Realloca-	Variation	Currency	06.30.04
		tions		tion	of scope	fluctuation	
Land	7.1	-	- 2.7	0.7	3.0	- 0.3	7.8
Buildings	51.0	1.1	- 5.4	1.7	20.0	- 2.7	65.7
Plant and equipment	69.5	3.3	- 1.6	2.6	9.3	- 1.9	81.2
Other tangible fixed assets	19.0	1.6	- 1.1	- 0.4	4.6	- 0.5	23.2
In progress	6.1	5.6	- 0.1	- 5.5	-	- O. I	6.0
Payments and accounts	-	0.1	-	-	-	-	0.1
Total	152.7	11.7	- 10.9	- 0.9	36.9	- 5.5	184.0

#### Depreciation

In millions of euros	06.30.03	Depre-	Exits	Realloca-	Variation	Currency	06.30.04
		ciation		tion	of scope	fluctuation	
Land	0.5	0.1	-	-	-	-	0.6
Buildings	29.4	2.6	- 4.6	-	12.4	- 1.6	38.2
Plant and equipment	52.7	4.5	- 1.6	- 0.3	6.5	- 1.3	60.5
Other tangible fixed assets	15.0	1.6	- 1.0	- 0.4	3.3	- 0.3	18.2
Total	97.6	8.8	- 7.2	- 0.7	22.2	- 3.2	117.5

#### Further information

• Fixed assets under leasehold are as follows:

In millions of euros	Gross	Depreciation	Net
Land	0.1	-	0.1
Buildings	0.9	- 0.7	0.2
Plant and equipment	0.6	- 0.2	0.4
Total	1.6	- 0.9	0.7

• Flora-Frey GmbH long-term lease

The company Flora Frey GmbH works from premises in Solingen. The original operation was conducted through a specialized company which signed a long-term lease with Flora Frey, with the following characteristics:

- > date of effect: July 1st 1996,
- > duration: 20 years,
- > possibility to substitute a new tenant at any time with the agreement of the owner,
- > possibility for the tenant to purchase at the end of the lease for 30% of the initial investment,
- > the total amount of the investment made by the owner is 15.4 million euros including 1.5 million euros for the land,
- > the annual rent is 1.2 million euros and can be periodically revised in proportion to the evolution of interest rates.

• Analysis by currency of the tangible fixed assets

In millions of euros		06.30.04		06.30.03
	Gross	Depre-	Net	Net
	ci	ation and		
	p	rovisions		
Euro	109.1	- 72.2	36.9	36.1
US dollar	36.6	- 20.7	15.9	14.1
Pound sterling	6.9	- 5.1	1.8	1.8
Yen	3.8	- 2.0	1.8	1.9
Australian dollar	0.6	- 0.4	0.2	0.1
Shekel	24.5	- 15.7	8.8	
Other currencies	2.5	- 1.4	1.1	1.1
Total	184.0	- 117.5	66.5	55.1

#### Note 16: Financial fixed assets

#### Gross

In millions of euros 06.	30.03	Acqui- sitions	Quota of result 03-04	Exits	Variation of scope	Currency fluctua- tion	Distri- bution of dividends	Realloca- tion	30.06.04
Shares in non- consolidated companies	27.4	-	-	-	- 22.6	- 0.2	-	-	4.6
Other long-term share investments	0.4	-	-	-	0.4	- 0.1	-	- 0.1	0.6
Loans	5.2	0.5	-	- 1.6	-	- 0.1	-	0.1	4.1
Other financial fixed assets	7.5	4.6	-	- 1.4	-	-	-	-	10.7
Shares in companies consolidated under the Equity Method	1.9	-	1.1	-	1.7	- 0.3	- 0.2	-	4.2
Total	42.4	5.1	1.1	- 3.0	- 20.5	- 0.7	- 0.2	-	24.2

#### **Provisions**

In millions of euros	06.30.03	Amortization	Write-back	Currency fluctuation	Variation of scope	06.30.04
Shares in non-consolidated companie	s 2.3	1.0	- 0.2	- 0.1	0.1	3.1
Other fixed financial assets	0.2	0.4	-	-	-	0.6
Other long-term share investments	0.1	-	- O. I	-	0.1	0.1
Total	2.6	1.4	- 0.3	- 0.1	0.2	3.8

#### Further information

• Main shares held in non-consolidated subsidiaries

In millions of euros	% held		Totals on 06.30	.04	Equity	Results	Stock
		Gross	Provisions	Net	(1)	` '	arket value of securities held
Crozilène (France)	22.00	0.2	- 0.2	-	-	-	-
Exelixis (United States)	0.35	3.5	- 1.8	1.7	-	-	1.8
Mikado (Japan)	20.00	1.2	- 1.2	-	1.4	0.1	-
Others	-	0.3	-	0.3	-	-	-
Total	-	5.2	- 3.2	2.0	-	-	-

(I) For the last available balance sheet. Conversion of foreign currencies was made on June 30th 2004.

The participation in Exelixis is related to the medium-term research agreements reached with this company in the field of biotechnology. Since it is a very small minority stake with a long-term commitment, the value was calculated on June 30<sup>th</sup> 2004 on the basis of the average stock market rate over two hundred days. Write back of provisions to the value of 0.3 million euros was recorded in the accounts for the fiscal year.

Provisions for the full amount of the stake held in Mikado were recorded in view of the delicate financial situation of this company, leading to considerable downsizing.

Following the take-over of Hazera, the shares in this company, which were not consolidated before the take-over, have been removed from this line. This movement is recorded in the variations of scope to the value of 22.6 million euros.

• Shares held in companies consolidated using the equity method

In millions of euros	06.30.03	Variation of scope	Quota of result	Currency fluctuation	Distribution of dividends	06.30.04
		•	03-04			
Anadolu	-	1.9	0.6	- 0.3	-	2.2
BioSeeds	1.7	-	0.5	-	- 0.2	2.0
Crozilène	0.2	- 0.2	-	-	-	-
Total	1.9	1.7	1.1	- 0.3	- 0.2	4.2

#### • Loans

In millions of euros		Totals on 06.30.04				
	Total	- I year	I to 5 years	+ 5 years	06.30.03	
Limagrain Genetics Corp.	0.9	0.9	-	-	2.0	
Triagro (MEE)	0.4	0.4	-	-	-	
Other loans (outside the Group)	2.8	0.1	2.5	0.2	3.2	
Total	4.1	1.4	2.5	0.2	5.2	

In 1994 ABC, an American subsidiary, made a bond issue of 20 million US dollars with a duration of ten years. Of this total, 7 780 000 US dollars were allocated to Limagrain Genetics Corp. Interest is invoiced at the rate of LIBOR + 1.15%, providing a margin of 0.35%; the maturity date for the outstanding sum of 1 112 000 US dollars falls in November 2004.

#### • Other financial fixed assets

The other financial fixed assets mainly concern the following items:

- > a guarantee of 5.8 million euros for the group's securitization operations (cf. Note 18),
- > a guarantee of 4.8 million euros set up for the company Cylonie Ré (cf. Note 28).

#### Note 17: Inventories

In millions of euros		Net totals		
	Gross	Provisions	Net	on 06.30.03
Raw materials and other supplies	27.9	- 2.6	25.3	27.8
Production in progress	24.0	- 3.5	20.5	12.6
Finished and semi-finished goods	57.3	- 7.9	49.4	54.3
Goods for resale	63.8	- 13.2	50.6	29.1
Total	173.0	- 27.2	145.8	123.8

On June  $30^{th}$  2004, provisions amounted to 15.7% of the gross value of the inventory as opposed to 13.1% on June  $30^{th}$  2003.

The increase in the average depreciation rate can be explained largely by the integration of the Hazera group in the consolidation scope.

#### Note 18:Trade receivables

#### Evolution of accounts receivable:

In millions of euros	06.30.04	06.30.03
Gross	119.8	103.5
Provisions	- 6.6	- 5.2
Total	113.2	98.3

> Within the framework of the agreement on the cash flow of Groupe Limagrain, the company Oxadis SA has participated in securitization operations it has initiated to convert third party receivables into securities. This securitization consists in the sale of accounts receivable (in accordance with the provisions of the French Dailly law) to a company outside the Group, which finances the operation by issuing negotiable instruments on the American commercial paper market. Recovery from the assignor (Oxadis SA) is limited to the total amount of the guarantee deposit set up at the time of the sale. Cash freed as a result of these operations is transferred to Groupe Limagrain Holding, the company responsible for cash management in Groupe Limagrain, with a fixed interest margin for Oxadis of 0.18%. These operations are shown as follows in the balance sheet:

In millions of euros	06.30.04	06.30.03
Accounts receivable		
(trading debts securitized)	26.0	30.0
Other financial fixed assets		
(guarantee deposit)	- 5.8	- 7.0
Cash improvement	20.2	23.0

> Almost all accounts receivable are payable in less than one year.

## Note 19: Other receivables and accruals

In millions of euros	06.30.04	06.30.03
Deferred taxation	7.0	6.9
Other receivables		
> Other receivables	16.2	13.7
> Current account		
cash advances	28.8	43.5
Gross total	45.0	64.1
Provisions for amortization	-	- 0.1
Net total	45.0	64.0
Accruals		
> Prepayments	7.1	7.1
> Deferred payments	9.7	10.9
Total Accruals	16.8	18.0
Total	68.8	82.0

#### Further information

- > Almost all other receivables are payable in less than one year.
- > Current account cash advances include Groupe Limagrain Holding for the centralized cash-flow management it operates. These advances receive interest on the average monthly basis of EONIA + 0.18%.
- > The evolution of deferred payments over several years was as follows:

In millions of euros				
On 06.30.03	10.9			
New expenses	1.3			
Amortization for the fiscal year	- 2.4			
Currency fluctuation	- 0.1			
On 06.30.04	9.7			

> During the course of the fiscal year 2000-2001, Vilmorin Clause & Cie signed an agreement providing unlimited access to different techniques, databases and know-how developed over more than ten years (molecular markers, transgenesis, species mapping, etc.).

The initial irrevocable agreement signed involves the sum of 8 million euros, payable on the basis of a schedule fixed up until 2005; access to all the resources described above is immediate and unlimited. The agreement also involves, for future years, a research contract to improve existing technologies and to develop new ones.

The signed agreement opens up new favorable economic perspectives for the company, with the possibility, in particular of:

- making considerable savings on manpower and trial plots,
- accelerating the time it takes to bring out and market new varieties,
- optimizing the characteristics of these new varieties, to make them more competitive.

The initial payment (8 million euros) is recorded in deferred payments. The average economic life cycle of varieties is long, generally above ten years; thus the amortization plan is fixed at ten years. This amortization began on July 1st 2001 to respect the date the agreement was signed (end of June 2001).

- > The other deferred payments correspond mainly to:
- new packaging design expenses amortized over a maximum of five years,
- eviction compensation paid out by the company but covered by the owner in the form of a reduction in rent over the duration of a long-term commercial lease,
- the implementation of a new information system amortized over a maximum duration of five years.

## Note 20: Long-term security investments

In millions of euros	06.30.04	06.30.03
Internally held shares	1.6	0.7
Other long-term securities	14.5	0.3
Total	16.1	1.0

#### Further information

> Internally held shares represent 13 014 securities on June 30<sup>th</sup> 2004 at the average unit price of 124.69 euros. Over the fiscal year 14 337 securities were purchased at an average price 123.52 euros and 9 648 securities were sold at an average price of 102.71 euros.

The consolidated value of the Vilmorin Clause & Cie share on June  $30^{\circ}$  2004 was 139.80 euros.

> Other long-term securities invested concern mutual funds for cash-flow for which the market value is very close to the book value.

### Note 21: Shareholders' equity – Group share

In millions of euros	Capital	Premiums	Consolidated reserves	Result for the year	Currency differences	Total
Total on 06.30.02	145.9	29.3	56.7	20.0	12.0	263.9
Application of the result	-	-	20.0	- 20.0	-	0.0
Investment subsidies received	-	-	0.1	-	-	0.1
Consolidated result for the fiscal year	-	-	-	23.3	-	23.3
Distributions	-	-	- 10.0	-	-	- 10.0
Currency fluctuation	-	-	- 0.3	-	- 9.3	- 9.6
Total on 06.30.03	145.9	29.3	66.5	23.3	2.7	267.7
Application of the result	-	-	23.3	- 23.3	-	-
Consolidated result for the year	-	-	-	30.2	-	30.2
Distributions	-	-	- 12.1	-	-	- 12.1
Currency fluctuation	-	-	- 0.6	-	- 6.9	- 7.5
Total on 06.30.04	145.9	29.3	77.1	30.2	- 4.2	278.3

#### Further information

- > The capital of Vilmorin Clause & Cie comprises 3 188 993 shares each with a par value of 45.75 euros.
- > The company's bylaws stipulate that for the purpose of General Meetings, without prejudice to restrictions resulting from any laws and decrees in force, each member of those entitled to attend General Meetings may caste as many votes as the number of shares he or she owns or represents, without limit.
- > Nevertheless, double voting rights compared to other shares, considering the stock quota they represent, are granted to any shares fully paid up for which it can be proven that they have been registered in the name of the same shareholder for a period of at least four years.
- > This right is also granted in the case of any increase in stock through incorporation of reserves, and as soon as they are issued, for any nominative shares granted without cost to any shareholder who holds former shares that benefit from this right.

### Note 22: Minority interests

In millions of euros	Consolidated reserves	Result for the year	Currency differences	Total
Total on 06.30.02	17.9	1.2	-	19.1
Application of the result	1.2	- 1.2	-	-
Consolidated result for the fis	scal year -	1.2	-	1.2
Distribution	- 0.3	-	-	- 0.3
Currency fluctuation	- 0.2	-	- 0.9	- 1.1
Variation in interest percentag	ges -	-	-	-
Total on 06.30.03	18.6	1.2	- 0.9	18.9
Application of the result	1.2	- 1.2	-	-
Consolidated result for the fis	scal year -	1.4	-	1.4
Distribution	- 0.9	-	-	- 0.9
Variation in interest percentag	ges 21.8	-	-	21.8
Currency fluctuation	- 0.1	-	- 3.4	- 3.5
Total on 06.30.04	40.6	1.4	- 4.3	37.7

#### Further information

The variation in interest percentages corresponds to the shareholders with a minority interest in the company Hazera, which was consolidated using the global integration method as from July  $1^{\rm st}$  2003.

#### Note 23: Financial instruments issued

Different financial instruments have been issued by a certain number of the Group's subsidiaries. Their characteristics are summarized as follows:

#### Stock options

The company Hazera Genetics Ltd has issued several stock options for the benefit of its personnel. The general characteristics of these stock options are as follows:

Date of issue	5 programs from 1997 to 2002
Option exercise date	Depending on the program, until 2009
Number of options issued	I 028 578
Number of options exercised to date	16 850
Number of warrants in circulation	1 011 728
Number of shares that can be taken out	I 069 557
Exercise price per unit	18.90 NIS / share
Potential dilution of the group in the compa	any 3.52% of the stock

## Note 24: Provisions for liabilities and charges

#### Evolution over the year

In millions of euros	Provision for pensions	Other provisions for liabilities and charges	Deferred taxes	Provisions for shares in compa- nies consolidated under equity	Total
Total on 06.30.03	7.7	5.1	4.3	0.1	17.2
Variations in scope	0.9	1.5	4.1	-	6.5
Amortization	1.4	4.1	1.0	-	6.5
Write-back	- 1.1	- 3.0	- 1.9	-	- 6.0
Currency fluctuation	- 0.1	-	-	-	- 0.1
Reallocations	-	-	- 1.0	-	- 1.0
Total on 06.30.04	8.8	7.7	6.5	0.1	23.1

#### Further information

> The other provisions made to cover liabilities and charges were as follows:

	In millions of euros
Liabilities and commercial litigation	1.7
Streamlining costs and social litigation	3.0
Tax liabilities	0.8
Miscellaneous (1)	2.2
Total	7.7

- (1) This line includes a provision to cover liability regarding the reinsurance company Cylonie Ré, and corresponds to a statistically based estimate of litigation to the value of 1.3 million euros.
- > Commercial disputes are assessed in each individual case, taking into account any known factors at the end of the financial year. Where necessary, provisions for liabilities and charges are made, depending on the progress of each file.

- > Provisions for pension and retirement benefits are calculated depending on the legislation in force in each country and agreements reached in each company, based on the salary paid at the end of the employee's career.
- > For this purpose, the following parameters were taken into account:
- budgeted pay rises,
- staff turnover,
- life expectancy,
- revision.
- > The methodology applied for deferred taxes is described in the section "Consolidation methods and principles".

The variation in scope recorded for this line mainly corresponds to a deferred tax liability for the company Cylonie Ré regarding the restatement in the opening balance of technical provisions without associated liabilities.

#### Note 25: Loans and financial debts

#### Evolution over the year

In millions of euros	06.30.03	New loans	Redemption	Currency fluctuation	Variation of scope	06.30.04
Medium- and long-term debts						
> Convertible bonds	1.7	-	-	-	- 1.7	-
> Bonded debts	3.3	-	-	-	- 3.3	-
> Bank loans	19.4	32.0	- 8.9	- 1.7	8.8	49.6
> Lease/hire purchase	0.4	-	- 0.2	-	-	0.2
Total	24.8	32.0	- 9.1	- 1.7	3.8	49.8
Short-term loans						
> Banking facilities	59.9	-	- 17.4	- 1.3	8.8	50.0
> Current account cash advances	8.8	9.3	-	- 0.2	1.4	19.3
Total	68.7	9.3	- 17.4	- 1.5	10.2	69.3
Total loans	93.5	41.3	- 26.5	- 3.2	14.0	119.1

#### Further information

- > Because of the take-over of the Hazera group, to which Vilmorin and Harris Moran Seeds were financially indebted, the items convertible bonds and bonded debts have been eliminated.
- > Current account cash advances include Groupe Limagrain Holding for the centralized cash-flow management it operates. These advances receive interest on the average monthly basis of EONIA + 0.18%.
- > The increase in bank loans is mainly due to the funding of the purchase of Hazera.
- Breakdown of due dates

In millions of euros	l year	I to 5 years	+ 5 years	Total on 06.30.04
Medium- and long-term loans				
> Convertible bonds	-	-	-	-
> Bonded debts	-	-	-	-
> Bank loans	9.1	26.8	13.7	49.6
> Lease/hire purchase	0.1	0.1	-	0.2
Total	9.2	26.9	13.7	49.8
Short-term loans				
> Banking facilities	50.0	-	-	50.0
> Current accounts	19.3	=	-	19.3
Total	69.3	-	-	69.3
Total loans (I)	78.5	26.9	13.7	119.1

#### • (I) Breakdown of loans by currency

	Total on 06.30.04
Euro	58.6
US dollar	37.3
Pound sterling	0.5
Australian dollar	0.1
Yen	6.7
Other currencies	15.9
Total	119.1

#### • Breakdown of loans by nature of rates

In millions of euros	Fixed	Variable	Total
	rate	rate	
Medium- and			
long-term loans	34.9	14.9	49.8
Short-term loans	22.5	46.8	69.3
Total	57.4	61.7	119.1

#### Note 26: Accounts payable

In millions of euros	Totals on 06.30.04	Totals on 06.30.03
Suppliers	48.1	47.2
Fixed assets	2.6	1.8
Total	50.7	49.0

#### Further information

Almost all the accounts are payable in less than one year.

#### Note 27: Other liabilities and accruals

In millions of euros	Totals on 06.30.04	Totals on 06.30.03
Other liabilities		
> Trade accounts	5.2	7.7
> Tax and social security	33.3	27.4
> Others	34.6	21.7
Total other liabilities	73.1	56.8
Accruals		
> Deferred income	0.7	0.9
Total accruals	0.7	0.9
Total	73.8	57.7

#### Further information

- > Almost all the other liabilities are payable in less than one year.
- > The increase in other liabilities is mainly the result of the entry of Hazera into the consolidation scope.

## Note 28: Commitments and contingencies

#### Guarantees

In millions of euros	Commitments received	Commitments given
Endorsements, sureties, guarantees	0.1	26.3
Other commitments	-	-
Total	0.1	26.3

Endorsements, sureties and guarantees include letters of intent for the annual payment of rent covering the remaining duration of certain long-term commercial leases (twenty and twenty-five years) for the following companies:

	In millions of euros
Flora Frey GmbH	14.9
Suttons	8.7
Total	23.6

No delay in payment has been noted to date.

#### Reciprocal commitments

In millions of euros	-I year	l to 5 years	+ 5 years	Total
Leasing	0.5	0.7	-	1.2
Forward purchasing of currency	2.9	-	-	2.9
Dry lease	5.1	10.8	15.2	31.1
Other commitments	0.8	0.2	-	1.0
Total	9.3	11.7	15.2	36.2

#### Debts with real sureties

In millions of euros Medium-term loan guara with a real				
Debts with guarantees	16	6.5		
Total amount of sureties gran	nted 18	8.7		
Book value of the assets provided as a guarantee				

#### Commitments of the company Cylonie Ré

As part of a captive set-up, the reinsurance company Cylonie Ré has given and received the following commitments:

> First, it has given a reinsurance commitment to the benefit of a third party insurance company for a total amount of 43 million US dollars for a period that expires on June 30th 2007.

Following this commitment, it set up a cash pledge to a third party holder for the value of 11 million US dollars on June 30<sup>th</sup> 2004. The proportion of the sum integrated into the scope of Vilmorin Clause & Cie, a total of 5.5 million US dollars, appears in the line "Other financial fixed assets" in Note 16.

> It also received a reinsurance commitment issued by a third party reinsurance company for a maximum amount of 34 million US dollars on June 30<sup>th</sup> 2004 for a period that expires on June 30<sup>th</sup> 2007.

No claims or losses have been recorded to date that are liable to come under the guarantee mechanism.

## Annual financial statements

Consolidated financial statements

# Note 29: Information concerning exposure to interest and exchange rate fluctuations

In compliance with the COB regulation  $N^{\circ}$  89-01, the group's position with regard to risks in interest and exchange rates is summarized in the following tables:

• State of the group's positions with regard to interest rate risks

In millions of euros	- I year	I to 5 years	+ 5 years	Total	
<b>B</b> alance sheet					
> Financial assets	36.1	7.1	0.4	43.6	
> Financial liabilities	78.5	26.9	14.3	119.7	
Off balance sheet	-	-	-	-	
Differential	- 42.4	- 19.8	- 13.9	- 76.1	
Conditional positions	-	-	-	-	

• State of the group's positions with regard to currency rate fluctuation

In millions of euros	Euro	US dollar	Yen	Pound sterling	Australian dollar	Other currencies	Total
Balance sheet							
> Assets in local currency	247.9	70.9	14.4	11.1	5.2	48.0	397.5
> Liabilities in local currency	138.3	56.9	13.3	5.9	0.8	27.7	242.9
Off balance sheet	-	-	-	-	-	-	-
Differential	109.6	14.0	1.1	5.2	4.4	20.3	154.6
Conditional positions (I)	0.8	1.2	-	0.6	-	0.3	2.9

(I) Cf. Note 28.

KPMG AUDIT Immeuble KPMG I, cours Valmy 92923 Paris la Défense Cedex France VISAS 4 Commissariat 56, boulevard Gustave Flaubert 63010 Clermont-Ferrand France

#### Statutory Auditors' Report on the consolidated financial statements

Year ended June 30th 2004

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' annual general meeting, we have audited the accompanying consolidated financial statements of the company Vilmorin Clause & Cie for the year ended June 30<sup>th</sup> 2004.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

• Opinion on the consolidated financial statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies in accordance with the accounting rules and principles applicable in France. • Justification of our appraisals

In accordance with the provisions of article L225-235 of the French Commercial Code concerning the justification of our appraisals, introduced by the law on financial security passed on August 1<sup>st</sup> 2003, and applicable for the first time to this fiscal year, we wish to draw your attention to the following points:

- > Notes IB, II-13, II-14 lay down the rules and accounting methods related to an evaluation of the acquisition goodwill and intangible fixed assets. We have appraised the data and the hypotheses on which the estimates are based, particularly by comparing forecasts for the fiscal year with the corresponding achievements, and examined samples of the documentation prepared within this framework.
- > The nature of provisions for liabilities and charges is described in Note 24 of the appendix. We have appraised the information on which these provisions were based, and re-examined any information concerning the liabilities and charges mentioned in the appendix to the consolidated financial statements.

Our appraisals are thus an integral part of our audit of the annual financial statements, and therefore contributed to the forming of our opinion as expressed in the first part of this report, without any reservations.

• Verifications and specific information

We have also verified the information concerning the group as presented in the management report. We have no particular remarks to make as to its sincerity and its compatibility with the consolidated financial statements.

Paris la Défense and Clermont-Ferrand, June 10th 2004

KPMG AUDIT Département de KPMG SA

Michel Piette Associé VISAS 4 Commissariat

Claude Aubert

## Information concerning the subsidiaries on June 30th 2004

Name	N° SIREN	Head Office
American Bio Corporation (ABC)		c/o Piper & Marbury - 1251 av. of the Americas New York 10020 -1104 (New York) - United States
Cylonie Ré		19 rue de Bitbourg - L1273 Luxembourg Hamm - Luxembourg
Groupe Limagrain Luxembourg		I I avenue Emile Reuter - L 2420 Luxembourg - Luxembourg
Vilmorin Clause & Cie	377 913 728	4 quai de la Mégisserie - 75001 Paris - France
Professional		
Alliance Semillas		Hendaya 27 Oficina 201 - Las Condas - Santiago - Chile
Alliance Semillas de Argentina		Cespedes 3881 - 1427 Buenos Aires - Argentina
Anadolu		Güzelyali, Bati Sahili, Ciftlik Sok. No 9 - 81720 Pendik Istanbul - Turkey
BioSeeds		Agro Business Park 90 - 6700 Wageningen - Netherlands
Clauze Harris Moran Tézier (CH	MT)	Po Box 15890 - Panorama 7506 - South Africa
Clauze Tézier	435 480 546	Rue Louis-Saillant - 26800 Portes les Valence - France
Clause Tézier do Brazil		NA Avenida Brasil, n°460, sala 71 Guanabara - Brazil
Clause Tézier Iberica		Ctra de la Cassada, Pla del Pau, km 11,5 - Paterna (Valencia) - Spain
Clause Tézier India		6-1-20/2, Walker town - 500 025 New Bhoiguda, Secundrabad - India
Clause Tézier Italia		Strada de la Madonnina - 13,Venaria Reale (Torino) - Italy
Harris Moran Seeds		555, Codoni Avenue - Modesto, 95352 (Californie) - United States
Asamia Cold Storage Ltd		DN Shikmim - Brurim - Israel
Biotech Mah Management		DN Shikmim - Brurim - Israel
Hazera Canarias		Avenida Santa Cruz 182 - San Isisdro Granadilla - 386110 Santa Cruz de Tenerife - Spain
Hazera Espana		1990 S.A La Redona - 4710 El Ejido - Almeria - Spain
Hazera Genetics Ltd		Brurim M.P. Shikmim - 79837 Israel - Israel
Hazera Holding International BV		c/o MeesPierson Intertrust at Rokin 55, 1012 KK Amsterdam - Netherlands
Hazera Mauritius Ltd		c/o Abacus Financia Services (Mauritius) Limited,TM Building, Pope Hennessy ST. Port Luis - Mauritius
Hazera Seeds Inc		2255 Glades road - suite 123 A – Boca Raton, 33 431 (Florida) - United States
Hazera Tohumculuk ve Ticaret AS		Yesilbahçe Mah. Metin Kasapoglu Cad.Ayhan Kadam Apt. 52/3   07   00 Antalya - Turkey
Henderson Seeds JV		165, Templostowe Road - Lower Templestowe - 3105 Victoria - Australia
Kyowa Seeds		15-13 Nanpeidai - Shibuya-Ku Tokyo 150-0036 - Japan
Marco Polo Seed Nusantara		Ruko Bumi Prayudan Permai Block B-6, Metroyudan, Magelang 56172 - Indonesia
Marco Polo Seed Thaïland		3rd floor, Udom Vidhya Building, 956 Rama IV Road, Silom, Bangrak Bangkok 10500 - Thailand
Nickerson Zwaan BV		Schanseind 27 - 4921 PM Made - Netherlands
Nickerson Zwaan GmbH		Am Griewenkamp 2 - 31234 Edemissen - Germany
Nickerson Zwaan India		No 312 Opp L&T Batarayanpura 167 B.B. Road - 560 095 Bangalore - India
Nickerson Zwaan Ltd		Joseph Nickerson Research Centre - Rothwell Lincoln LN7 6DT - UK
Nickerson Zwaan Sp. Zo.o.		UI. Gersona 8 - 03307 Warsaw - Poland
Plant Development Australia		c/o Research School of Biological Sciences -The Australian National University Biology Place - Building 46, 2 <sup>nd</sup> floor ACT 2601 Canberra - Australia
Semillas Harris Moran		Av. Zaragoza 2080 local 4 - Col. Nueva - 21100 Mexicali, BC Mexico CP - Mexico
Triagro		165, Templostowe Road - Lower Templestowe - 3105 Victoria - Australia

	olidation	1. 7	Permanent headcount on 06.30.04	% financial control	<b>Book value</b>		Sales of	
	method				of the s Gross	hares (I) Net	goods (2)	income for the fiscal year
								(2)
American Bio Corporation (ABC)	IG	33 254	0	100.00	37 152	37 152	_	796
Cylonie Ré	IP	10 048	0	50.00	11 011	11 011		80
Groupe Limagrain Luxembourg	IP	11 024	0	50.00	11 024	11 024		- 22
Vilmorin Clause & Cie	IG	196 973	13	Mère				12 204
Professional								
Alliance Semillas	IG	958	15	48.13	483	483	l 763	48
Alliance Semillas de Argentina	IG	77	12	94.36	563	563	925	- 287
Anadolu	EO	3 709	0	44.78	149	149		I 175
BioSeeds	EQ	6 378	0	25.00	1 300	1 300	_	2 168
Clauze Harris Moran Tézier (CHM		41		47.18	24	24	311	25
Clauze Tézier	IG	34 629	406	99.97	50 195	50 195	83 473	14 603
Clause Tézier do Brazil	IG	458	8	97.97	33	33	3 025	510
Clause Tézier Iberica	IG	3 061	52	99.97	I 532	1 532	20 454	1 050
Clause Tézier India	IG	- 24	22	99.97	10	10	1 150	30
Clause Tézier Italia	IG	1 663	31	99.97	I 438	I 438	15 680	466
Harris Moran Seeds	IG	45 966	256	94.36	33 948	33 948	56 455	845
Asamia Cold Storage Ltd	IG	26	0	54.89	1	1	9	- 1
Biotech Mah Management	IP	- 2	0	27.45	0	0		<u>.</u> - I
Hazera Canarias	IG	- 87	0	28.00	31	31		- 2
Hazera Espana	IG	860	13	54.89	712	712	6 166	487
Hazera Genetics Ltd	IG	49 429	247	54.89	49 636	49 636	44 538	5 673
Hazera Holding International BV	IG	860		54.89	16	16	-	68
Hazera Mauritius Ltd	IG	I	0	54.89	0	0		5
Hazera Seeds Inc	IG	204		54.89	0	0	6 604	85
Hazera Tohumculuk ve Ticaret AS	IG	28	4	54.89	29	29		- 12
Henderson Seeds JV	IG	4 256	21	50.65	2611	I 725	2 523	-   2 3
Kyowa Seeds	IP	3 418	92	40.01	7 832	5 019	52 688	- 115
Marco Polo Seed Nusantara	IG	103	19	86.96	215	215	395	4
Marco Polo Seed Thailand	IG	2010	28	100.00	2 070	2 070	91	- 122
Nickerson Zwaan BV	IG	10 535	138	94.32	16 256	16 256	19 019	737
Nickerson Zwaan GmbH	IG	741	16	94.32	10 230	127	5 468	258
Nickerson Zwaan India	IG	12	9	94.18	3	3	139	- 45
Nickerson Zwaan Ltd	IG	2 617	19	94.32	243	243	7 946	603
Nickerson Zwaan Sp. Zo.o.	IG	523	7	94.32	64	64	1 985	222
Plant Development Australia	IG	2 503	0	100.00	2 276	2 276	1 703	136
Semillas Harris Moran	IG	2 303	24	94.36	165	165	7 9 1 4	- 79
Triagro	EQ	- 385	0	25.00	81	0	/ / 17	- //

Data expressed in thousands of euros.

<sup>(</sup>I) Data converted at the rate on closing date of June  $30^{\text{th}}$  2004. (2) Data converted at average rates for fiscal 2003-2004.

## Annual financial statements

## Consolidated financial statements

Name	N° SIREN	Head Office
VCC Seeds Ltd		c/o Schwartz, Duvdevany, Lerner - CPA - 76 Herzel Street - Haïfa - Israel
Vilmorin	562 050 864	Route du Manoir - 49250 La Ménitré - France
Vilmorin Iberica		Calle Joaquim Orosco 17 - 03006 Alicante - Spain
Vilmorin Inc		2551 North Dragoon 131 - Tucson, 85745 AZ - United States
Vilmorin Italia		Center Gross CP 97 - Blocco 22 - Via dei Notai 123 - 40050 Funo - Italia
Home Garden		
Van den Berg		Pob 4, Nijverheidsweg I & 8A - I 693 ZG Wervershoof - Netherlands
Carl Sperling & Co		Hamburger Strasse 35 - 21316 Lüneburg - Germany
CNOS Vilmorin Sp. Z o.o.		UI. Kopanina 28/32 - 60 951 Poznan - Poland
Ferry Morse		600, Stephen Beale Drive - 42041 Fulton (Kentucky) - United States
Flora Frey GmbH		Dellenfeld 25 - 42653 Solingen - Germany
Flora Geissler		Müliwisstrasse 212 - 5467 Fisibach - Switzerland
Oxadis	959 503 111	65, rue de Luzais - BP 37 - 3829   Saint Quentin Fallavier Cedex - France
Oxadis Srl		Via dei Cappucini n°4/b - 26100 Cremone - Italy
Sperling GmbH		Postfach 2640 - 21316 Lüneburg - Germany
Suttons		Woodview Road - Paignton - Devon - TQ4 7NG - UK
Top Green	432 004 679	ZA Les Pains - 49320 Les Alleuds - France

Name	Consolidation method	Equity before results (I)	Permanent headcount on 06.30.04	% financial control	Book value of the shares (1)		Sales of goods (2)	Net income
	method				Gross	Net	goods (2)	for the fiscal year (2)
VCC Seeds Ltd	IG	0		100.00	0	0	-	- 153
Vilmorin	IG	51 533	345	94.32	49 803	49 803	50 962	7 148
Vilmorin Iberica	IG	379	27	94.11	711	711	5 007	336
Vilmorin Inc	IG	1816	12	100.00	925	925	3 669	120
Vilmorin Italia	IG	67	16	94.38	64	64	7 498	574
Home Garden								
Van den Berg	IG	- 69	16	80.00	189	189	8 097	140
Carl Sperling & Co	IG	375	43	77.18	2 359	2 359	4 100	712
CNOS Vilmorin Sp. Z o.c	o. IG	1 153	45	39.36	890	890	3 282	5
Ferry Morse	IG	5 594	120	100.00	3 965	3 965	29 323	963
Flora Frey GmbH	IG	2 278	169	77.18	9 737	2 220	21 956	- 2 654
Flora Geissler	IG	346	11	77.18	313	313	3 128	5
Oxadis	IG	7 808	415	99.99	7 775	7 775	105 459	4 209
Oxadis Srl	IG	116	4	98.99	11	11	2 482	21
Sperling GmbH	IG	80	0	77.18	80	80	-	6
Suttons	IG	4 005	159	100.00	5 444	5 444	21 479	- 240
Top Green	IP	I 379	11	50.00	1 000	1 000	18 059	580

Data expressed in thousands of euros.

<sup>(</sup>I) Data converted at the rate on closing date of June 30th 2004. (2) Data converted at average rates for fiscal 2003-2004.

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 $Vilmorin\ Clause\ \&\ Cie, Marco\ Polo\ Seed, Oxadis, Sperling, Suttons, Pierre\ SOISSONS.$ 

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