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to **Vilmorin**

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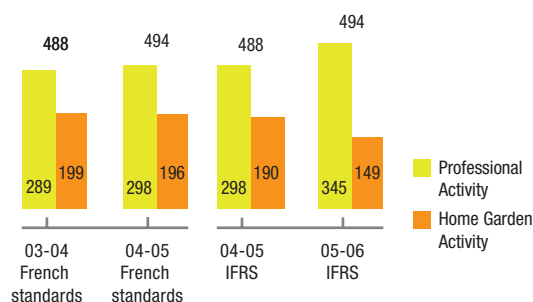
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120 Glossary

The words defined in the glossary appear in italics in this report

Professional business activities clearly predominant:

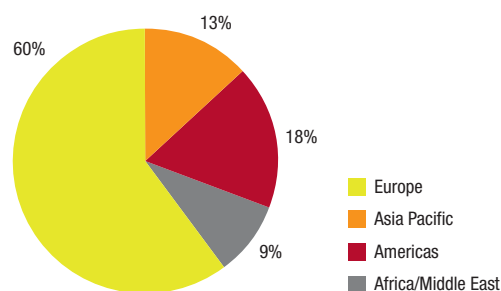
Changes made to the scope over recent years (the majority takeover of Hazera Genetics, Kyowa Seed and Mikado Seed Growers, the sale of Ferry Morse) and intrinsic organic growth in each activity have considerably modified the split between Professional (70%) and Home Garden (30%) businesses.



Evolution of sales for finished goods (in M€)

Highly international business mainly comprising seeds:

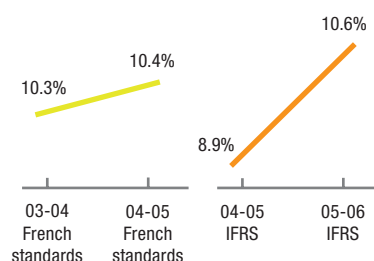
Sustained development of the Professional business in North and South America and greater presence on the Asian markets (particularly with Kyowa Seed and Mikado Seed Growers) have both helped to make Vilmorin an even more international company this year.



Breakdown of sales into geographic areas (as a %)

An operating margin that guarantees global performance:

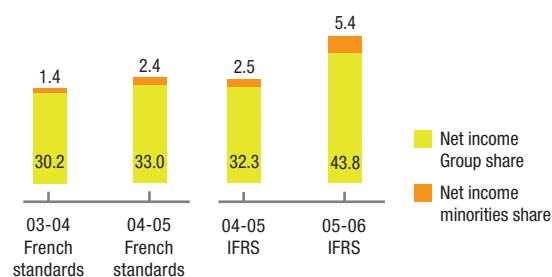
In 2005-2006 Vilmorin raised its operating margin significantly. Key factors in this improvement were the integration of even more products from its own research programs and the progressive streamlining of its commercial Home Garden portfolio.



Evolution of the operating margin (as a % of sales)

Total consolidated net income up more than 40%:

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



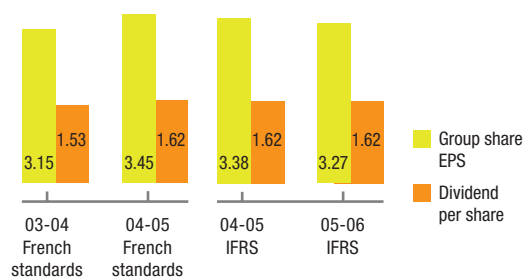
Evolution of the net income (in M€)

Key figures and comments for 2005-2006

An attractive and consistent policy of distributing profits:

Remaining faithful to its dividends policy, Vilmorin has decided once again to distribute approximately half its profits.

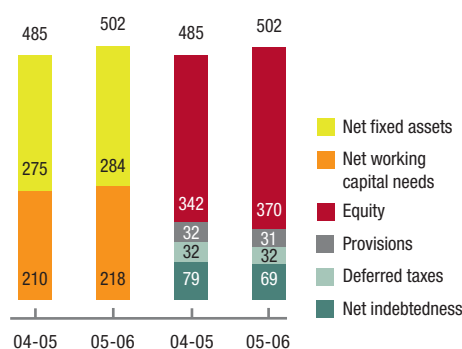
NB: Recalculated on the basis of 9 566 979 shares for 2003-2004 and 2004-2005, and then 13 391 857 shares for 2005-2006.



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

A solid financial structure:

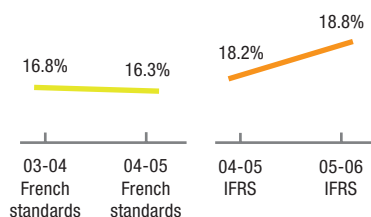
After completion of the fiscal year 2005-2006, Vilmorin can boast a very healthy financial structure which remained unaffected by the external growth operations finalized during the course of recent years.



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

Good control of the economic profitability of the stock:

As a result of its careful management of working capital needs and a rational capital investment policy, Vilmorin has kept up a high level for the profitability of the stock it has mobilized to run its operations.

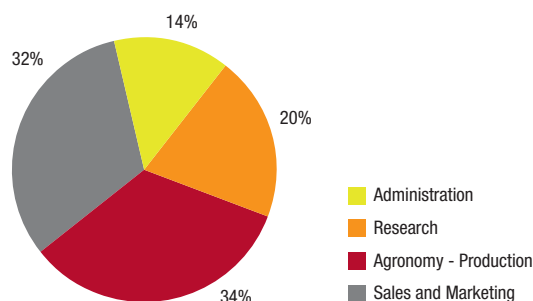


Evolution of the ROCE ratio (as a %)

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

Human resources that are largely centred on the functions of research, marketing and sales:

In 2005-2006 Vilmorin employed an average headcount of more than 3 000 and a permanent staff of 2 814 on June 30th 2006.



Breakdown of permanent staff according to function (as a %)

Key figures and comments for 2005-2006

Cultivating the taste of life

With its innovative research,
a vast international network
and a portfolio of prestigious brands,
Vilmorin continues to lead the world
in botanic creation intended
for the market of professional
production and home gardening.

Vilmorin pursues its growth while respecting an ethical vision
of its development, based on the philosophy - **Cultivating the taste of life** -,
emphasizing innovation and the quality of life, with respect for all women
and men, and the environment they live in.

These are inspiring themes for plant breeding, themes that have
their counterparts in artistic creation. Vilmorin asked a number of artists -
a model, a plastician artist, a make-up artist, an author and a photographer -
to illustrate the different facets of its philosophy and ensuing commitments.

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

Message from the Board of Directors

4



From left to right: Raoul FAURE, François DELOCHE, Gérard RENARD, Daniel CHÉRON, François HEYRAUD, Jean-Paul FAURE and Jean-Denis POULET

From Vilmorin Clause & Cie

■ Fiscal 2005-2006 capped with solid financial performances

The fiscal year which has just finished confirmed Vilmorin's dynamic growth, epitomized by fast rising results and operating margin.

On the Professional market, all our companies continued to reap the benefits of their excellent performances, stimulated by the rich flow of innovative products and the conquest of new international markets.

Moreover 2005-2006 was marked by a decisive step in the construction of our new organization in Japan; the merger announced between Mikado Seed Growers and Kyowa Seed will contribute to the creation of a top class seeds unit, providing Vilmorin with a strategic platform from which to develop throughout Asia.

On the Home Garden market, the refocusing strategy initiated two years ago was pursued through the gradual repositioning of our companies on the European markets and distribution networks that provide the greatest added value. For this purpose our German subsidiary, Flora Frey extended its reorganization plan, and for the first year the impact achieved on its results was encouraging. Furthermore, our withdrawal from the North American market was materialized through the sale of Ferry Morse in the autumn of 2005.

In the short term the absolute priority for our Home Garden activities remains a significant improvement of the operating margin.

In order to close this new year of growth on a positive note, your Board of Directors has opted to uphold its constant resolute dividend policy, with a distribution rate of nearly half its income.

... to Vilmorin

■ A new dimension to build up the future with confidence

At a time when we face further market globalization and the emergence of biotechnology, at the beginning of 2006 your Board of Directors defined new strategic orientations which were confirmed last July by the Annual General Meeting of shareholders. The first stage in this strategic adaptation is already being implemented in fiscal 2006-2007 with the integration of Limagrain's field seeds businesses into Vilmorin's scope, thus creating the fourth largest world seeds company.

This new dimension, in total continuity and respect of our values, will enable us to impart immediate strength to Vilmorin's positions and assets in a competitive world that is continually on the move. It is already opening up new prospects for growth, both in terms of its capacity to innovate, and its potential for international development.

Naturally, the cardinal objective is to improve the financial objectives of the new set-up, by accelerating growth and profitability.

Vilmorin Clause & Cie, having become Vilmorin, is supported by a modernized graphic identity which stands for this evolution and expresses all our ambitions.

The baseline "Cultivating the taste of life" remains the symbol of a unique profession and a lasting strategy, both of which are behind the successful progression of Vilmorin's business and stock value in recent years.

It is this same philosophy that will continue to guide our development, respecting our commitments to our shareholders.

The new field seeds businesses are presented in the chapter "From Vilmorin Clause & Cie to Vilmorin" and through the inserts bearing the same title that appear throughout this annual report.

Business activities

From research to distribution, Vilmorin controls all the stages in its supply chains. 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'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.

In order to meet this objective, more than 30 vegetable species are worked on, particularly those that are most widely consumed throughout the world. Each species constitutes a research program. The main research areas include:

- > agronomic characteristics (yield, disease resistance, etc.)
- > morphological characteristics (shape, color, weight, size), *organoleptic* and nutritional characteristics of vegetables,
- > respect for the environment (reduced use of phytosanitary products, drop in water consumption, etc.).

Considerable resources devoted to research:

- > Investment of 13.4% of Professional sales.
- > More than 560 researchers.
- > 29 research centers and experimentation stations spread over 29 countries.



■ Seed production, a strategic link

Seed production must provide two guarantees: maximum flexibility and capacity to respond to market conditions, while maintaining top quality at the best possible prices.

Producing the best seeds is a specialized profession requiring, in particular, careful choices of production areas. Vilmorin entrusts this mission to an international network of about one thousand carefully selected *multiplication farmers*: their work determines the quality of the finished product.

■ Processing or the optimization of seed quality

Vilmorin makes use of modern industrial equipment, the irreplaceable know-how of its teams, and frequent, rigorous quality control inspections in order to guarantee seed quality.

■ Distribution supported by a strong brand policy

In order to work in close contact with its customers, almost all its subsidiaries act as seed distributors: more than 30% of the people working at Vilmorin are involved in this essential function.

Vilmorin markets powerfully, relying on its large portfolio of prestigious brands, followed very closely for market position. After research, brands are one of the pillars of success for Vilmorin.



Vilmorin

cultivating the taste of life

By integrating Limagrain's field
seeds business,

Vilmorin has become
the **4th largest seeds company**
in the world,

with the ambition of attaining
a new dimension, in order to accelerate
growth and profitability,
while respecting the philosophy,
"Cultivating the taste of life"

Ambitions

A new dimension



In April 2006, Vilmorin announced its plan, in conjunction with its majority shareholder Limagrain, to integrate the latter's field seed business into its scope.

This operation, approved by the Annual General Meeting of shareholders held on July 3rd 2006, is a key milestone in Vilmorin's growth strategy, which is based around the essential ambition of pursuing its expansion and consolidating the financial performances achieved ever since it was first listed on the French stock market. This objective means intensifying its three development orientations (research, international development, innovation and brands) as new growth opportunities emerge.

Accordingly, Vilmorin's ambition is to strengthen its position as a major player, while continuing to follow an original model of organization and management, based in particular on the principle of autonomy.



Challenges and benefits

Solid perspectives



With an estimated value of 20 billion dollars, the world market for seeds today is characterized by new challenges linked to the globalization of the seed profession. The frontier between vegetable and field seeds is now incongruous, such is the level of investment in research and the strategic importance of controlling upstream technologies.

Furthermore, when confronting the ever greater concentration of the competitive environment (the top 10 companies today represent around 60% of the market), more than ever it is clearly necessary to have a critical size and worldwide dimensions.

The integration of field seeds allows Vilmorin to meet these new challenges and offers a certain number of advantages:

> Accentuate existing cooperation agreements and optimize complementarities in terms of upstream research. This involves pooling - and therefore enriching - technologies dedicated to plant breeding for improved varieties, including biotechnology.

> Take advantage of effects of the new size, in order to facilitate external growth internationally and develop new research partnerships.

This new dimension will indeed provide Vilmorin with the assets required to target international structures that operate both in vegetable and field seeds.

> Develop new opportunities for growth, particularly through:

- the market for nutrition and health;
- the expansion of markets for genetically modified plants;
- the upsurge of new markets for the industrial application of agricultural produce: biodegradable plastics, biofuels from maize, rape, sunflower, etc.

> Spread risks better, both in terms of geographic areas, business activities and research investment.

Landmarks

Vilmorin in a few key figures



Sales: **922* M€**

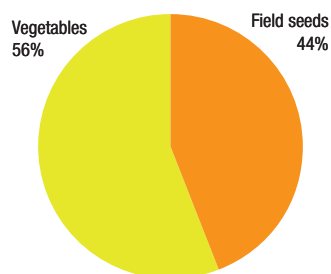
Operating income: **55 M€**
including a net charge of **23 M€**
linked to reorganization programs

Research investment: **88 M€**

Headcount: approximately **4 400**

Base: pro forma on June 30th 2006.
Provisional unaudited figures
* Revenue from ordinary activities

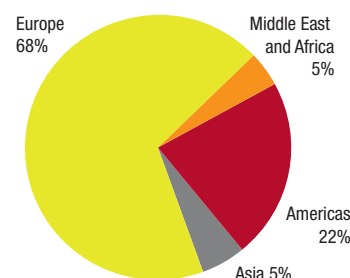
VEGETABLES / FIELD SEEDS,
THE SAME SINGLE PROFESSION: SEEDS



Sales according to activity

(Internal source. Pro forma on June 30th 2005)

HIGHLY INTERNATIONAL
BUSINESS



Sales according to zone

(Internal source. Pro forma on June 30th 2005)

How the operation was organized

Vilmorin received a contribution of all the shares from the company Biofina, the holding that controls all the fields seeds businesses in Groupe Limagrain.

The total value of this contribution was determined in accordance with the net book value of Biofina, namely 241.2 million euros. Remuneration for this contribution was set in accordance with a relative assessment rating of 2.5 between Vilmorin and Biofina.

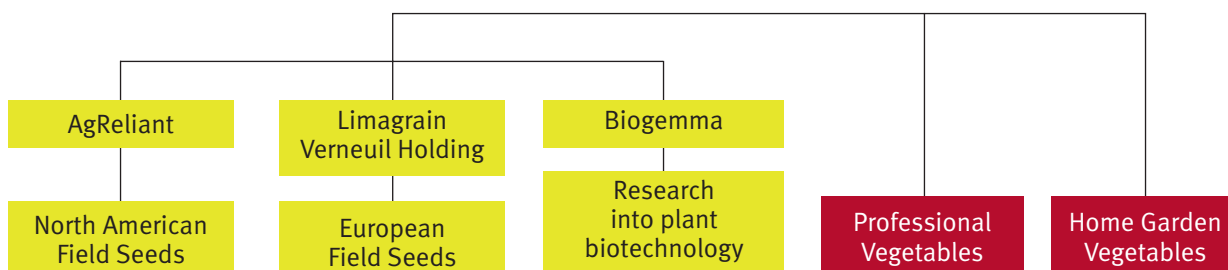
For this purpose, Vilmorin issued 3 824 878 new shares, taking its stock up to 13 391 857 shares with a total value of 204 225 819.25 euros.

As a result of this stock increase Groupe Limagrain now holds 78.6% of the new group. Nevertheless, Vilmorin and its reference shareholder ultimately intend to bring the float to a level comparable to that before the operation provided that the market conditions enable satisfactory financial benefits.

Vilmorin has prepared documentation for the operation that includes the following items: the reference document registered with the Autorité des marchés financiers on November 9th 2005 under the number D.05-1262, the updated reference document registered on April 20th 2006 under the number D.05-1262-A01 and Document E registered on June 1st 2006 under the number E.06-079. Copies of these documents are available free of charge on Vilmorin's website (www.vilmorin.info), and that of the Autorité des marchés financiers (www.amf-france.org) and also at the head office of Vilmorin.

NB: the company Biofina was dissolved on July 3rd 2006 by transferring its assets to Vilmorin & Cie.

SIMPLIFIED ORGANIZATION CHART:



Field seeds: key dates

- 1942: foundation of Limagrain.
- 1970: development of corn seeds business around the leading variety LG11.
- 1974: acquisition of Maïs Angevin.
- 1990: development of wheat seeds with the acquisition of Nickerson, the European seeds division of the Shell group.
- 2000: creation of a corn and soybean business unit in North America embodied by AgReliant, in conjunction with the German seed company KWS.
- 2005: acquisition of the European assets of Advanta, one of the leaders in cereal and oil and protein seeds.

Operating organization

A set-up designed to optimize the best response to target markets

Vegetables		Field Seeds	
■ Professional Activity <ul style="list-style-type: none"> > Vilmorin/Nickerson Zwaan in Northern Europe > Clause Tézier in Southern Europe > Harris Moran on the American continents > Hazera Genetics in the Middle East and in the Mediterranean basin > An Asian business unit built around Kyowa Seed, Mikado Seed Growers, and Marco Polo Seed 	■ Home Garden Activity <ul style="list-style-type: none"> > Oxadis in France in coordination with Flora Geissler in Switzerland and Van den Berg in the Netherlands > Flora Frey/Sperling in Germany > Suttons in the United Kingdom > CNOS Vilmorin in Poland 	■ Europe <ul style="list-style-type: none"> > Limagrain Verneuil Holding and its subsidiaries, combining all the field seeds activities in Europe 	■ North America <ul style="list-style-type: none"> > AgReliant Genetics, joint venture consolidated 50/50 with the German seeds company KWS



The field seeds business in Europe

Limagrain Verneuil Holding, a major player on the cereal seeds market

In Europe, the field seeds businesses are grouped within the company Limagrain Verneuil Holding (LVH), which coordinates the breeding, production and distribution mainly of cereal seeds (corn, wheat, barley, etc.) and oil crop seeds (sunflower, rape, etc.).

With a headcount of more than 1 100 on June 30th 2006, LVH made total sales of 333 million euros over the fiscal year for 2005-2006. Limagrain Verneuil Holding can thus rightly claim to be one of the very top field seeds companies in Europe.

A constantly growing European market

Estimated in 2005 to be worth 6.2 billion dollars, the global market for field seeds in Europe represents 20% of the world market. Dominated by corn, straw cereals and two fast-growing oil crops (rape and sunflower), it has grown every year at a regular rate of 1.5%.

France, Germany, Italy, the United Kingdom and Spain represent the largest markets, with 60% of the market value of the 25 countries of the European Union. Eastern countries, predominantly Poland, Hungary and the Czech Republic are expanding fast.

(Source: FAO 2004)



■ Clearly defined positioning for key species

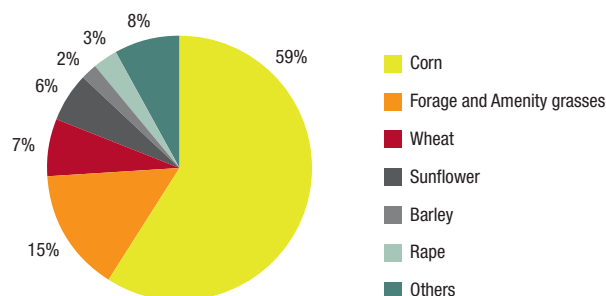
Bearing in mind the investment linked to these activities, particularly research, Limagrain Verneuil Holding has made a certain number of strategic choices, segmenting crops into three main categories:

> Strategic crops: corn, straw cereals (mainly wheat and barley) rape and sunflower.

> Support crops: for example forage seeds which are handled as a line complement to the marketing of strategic crops. In this precise case investment in research is limited and production is contracted out.

> Other species: amenity grasses, cotton, beet, etc., distributed according to market opportunities. Consequently, certain subsidiaries of Limagrain Verneuil Holding sell cotton, beet or amenity grass seeds.

TWO MAIN SPECIES: CORN AND STRAW CEREALS



Sales per product excluding royalties (June 30th 2005)

■ Very solid competitive positions in strategic crops

Limagrain Verneuil Holding benefits from a portfolio of well-known brands (LG, Nickerson, Advanta and Maïs Angevin), and holds strong competitive positions on the cereal (n°1 in Europe) and corn (n°2 in Europe) seed segments.

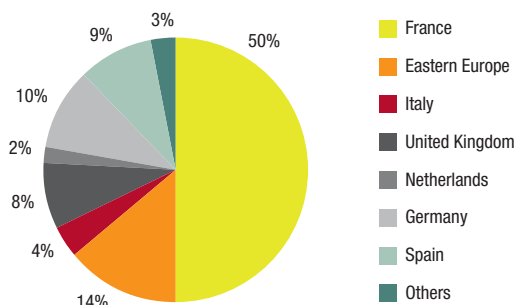


In third position for sunflower, LVH's market share for this crop has been reinforced through the acquisition of Advanta Europe.

LVH's position in rape oilseed is not decisive, since today it represents 3% of its sales, and needs to be consolidated, particularly with the development perspectives of biofuels in Europe.

Geographically, LVH runs its business on all the main European agricultural markets. Strengthened by the integration of Advanta, this presence is particularly characterized by the successful development of business on the main markets in Eastern Europe, which represent nearly 15% of total sales.

A SIGNIFICANT PRESENCE ON THE MAIN EUROPEAN AGRICULTURAL MARKETS



Breakdown of sales according to geographic area (June 30th 2005)

■ Advanta Europe: major synergies and a successful integration

In February 2005, Limagrain Verneuil Holding acquired Advanta Europe (apart from its sugar beet business). The company has seed sales of around 105 million euros per annum, mainly in the following crops: corn, forage and amenity grasses, sunflower, straw cereals and rape.

This integration has strengthened the field seeds businesses in Europe, providing complementary genetic resources, commercial positions and know-how.

Indeed this acquisition has enabled LVH to increase its market shares in Southern and Eastern Europe and to consolidate its corn positions in Northern Europe and develop its sunflower business in Southern Europe.

The integration of Advanta Europe also means that LVH can benefit from significant organic growth over the coming five years. The synergies involved in this integration will continue to take shape, along with the redeployment of LVH's product line-ups, that will result from the crossbreeding of the germplasm from Limagrain and Advanta. The financial benefits resulting from these synergies are already estimated to be worth 12 million euros over fiscal 2006-2007.





Event occurring after closing the accounts

Vilmorin sells its forage and amenity grass seeds business and strengthens its field seeds activities in Europe

At the beginning of October 2006 Vilmorin sold all its forage and amenity grass seed research and production business to the Danish seeds company DLF, along with part of the distribution activity. Corresponding turnover represents more than 15 million euros. Nevertheless, for certain European markets Vilmorin will keep exclusive access to products that come out of DLF's research programs, and will continue to distribute them.

At the same time, Vilmorin has taken control of the research, production and distribution of cereal seeds (mainly wheat and barley), run by Innoseeds, a subsidiary of DLF. The main countries covered commercially are Benelux, the United Kingdom, Germany, France, the Czech republic and Slovakia. Corresponding sales including royalties come to more than 16 million euros.

This acquisition will enable Vilmorin to reinforce its position as European leader in its strategic activities, while benefiting from further opportunities in Eastern Europe.

Financially, these operations contribute to an optimization of the capital used in Europe by the field seeds division and will help to improve its operating margin.

■ Accelerating growth

In order to pursue its development Limagrain Verneuil Holding has fixed several objectives:

- > Consolidate the successful integration of Advanta.
- > Pursue expansion on the markets of Eastern Europe.
- > Prepare for the arrival in Europe of genetically modified plants, which are about to break through, as is shown by the 5 000 hectares of genetically modified corn grown in France in 2006 as opposed to 800 hectares the previous year.
- > Accentuate research partnerships.
- > Capitalize on brands by anticipating the evolution of distribution networks and the European agricultural market.

The competitive advantages of Limagrain Verneuil Holding

- > A top class business unit with the genetic resources that give LVH a head start in terms of innovation.
- > Solid competitive positions for the main strategic species.
- > A portfolio of brands that have an excellent reputation with farmers.

The field seeds activities in North America

AgReliant, strong growth dynamics

As the fourth largest American field seeds company, AgReliant develops, produces and sells corn and soybean seeds in the United States and Canada.

AgReliant, a joint venture set up in July 2000 and consolidated on a 50/50 basis with the German seeds group KWS, has managed to increase its market share on the North American market significantly (by 83%) over the past five years. AgReliant, with a headcount of 600, made total sales of 188 million euros (consolidated at 100%) in 2005-2006; it has 6% of the American market.

The advantages of the partnership with KWS

The objective of the partnership with KWS is to pool the research investments of the two companies, with each company preserving its brand identity. This cooperation means that the two companies can develop their business activities in a market where controlled research and brand reputation are key factors for success.

Distribution is organized according to each brand, whereas research, production and administration are fully pooled.

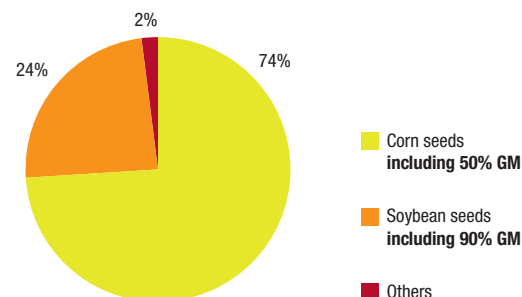


AgReliant's premises (Peoria - United States)

■ The continuing progression of genetically modified seeds

AgReliant's sales mainly concern corn and soybean sales. More than half of AgReliant's corn sales concern genetically modified seeds. For soybean seeds the rate is as high as 90%. This trend, which continues to grow, contributes to a real improvement of the economic profitability of the two species.

BUSINESS THAT CONCENTRATES ON CORN AND SOYBEAN



Breakdown of sales according to product (Fiscal 2004-2005 consolidated at 100%)



■ Combining organic and external growth

Aiming to conquer new market shares, AgReliant has defined several strategic priorities:

- > Continue organic growth according to the original model.
- > Increase investment in research, based on complementarity between Limagrain and KWS germplasm, developing its own upstream proprietary technologies.
- > Seize opportunities for external growth, targeting regional companies to complete coverage of the “corn belt”.

AgReliant's competitive assets

- > An integrated research program and key genetic resources.
- > A marketing approach capitalizing on the proximity of sales teams and recognized regional brands, together assuring an excellent coverage of the “corn belt”.

A market dominated by corn and soybean

North America is the leading world producer of corn and soybean, and in 2004 held 22% of the world market for field seeds, worth almost 6.6 billion dollars.

The North American market, which is geographically concentrated in the “corn belt” region in North-East America, is very different from the European market because a large percentage of the crops are genetically modified.

This market, in 2005, represented 90 million hectares of land, 55% of which was in the United States.

Genetically modified seeds, which are increasing in North America, have basically three resistance genes: the corn-borer and the leaf-beetle - two destructive insects - and herbicides.

Genetically modified varieties containing several of these *traits* are increasing rapidly.

(Sources: ISF 2005 and ISAAA 2005).

■ The relevant strategy

AgReliant is constantly expanding and reaping the benefits of research investments, which have been made over the past years, and a multi-brand marketing approach.

In the United States, only a limited number of operators carry out their own research, but AgReliant manages its own corn research program. The company has access to the corn *genetic resources* of Groupe Limagrain, KWS and the “Foundation Seed Companies”, American research companies that make genetic material available on payment of royalties. Breeders are thus able to crossbreed these *genetic resources* and create new varieties.

Because of this comprehensive system, AgReliant is able to include in its range seeds that come mainly from its own gene pool. This gives the company a vital competitive advantage, with an opportunity for differentiation and added value.

AgReliant has an exceptional sales force, made up of almost half the company's employees, working in the three distribution networks in the United States: the farmer-dealer network, direct sales to the farmer and sales through distributors.

Considering the different types of sales, the key factor for success is brand image, the real link between the farmer and the seed producer.

The sales teams therefore depend on a portfolio of reputed brands, and work in very specific geographical sectors: Wensman, LG Seeds, AgriGold, Great Lakes Hybrids, Producers Hybrids for the United States and Pride for Canada. With these 6 well-known brands, AgReliant comfortably covers the “corn belt”, the heart of the American market.



WENSMAN



At the same time, over the last few years, AgReliant has regularly carried out different external growth operations on the American market with the aim of occupying a strategic position in each of the geographical sectors of the “corn belt”. Producers Hybrids is the latest acquisition, made at the end of 2004.

■ Tailor-made seeds

AgReliant offers North American farmers reliable genetic material, which once combined with technical options, means that the seed can be precisely adapted to their most specific requirements. These options are of two types:

> **Traits, giving the plant its transgenic character.** These resistance genes are incorporated into the plant's genome thus enabling it to resist certain destructive insects or herbicides. These technologies are available from external companies on payment of royalties.

The latest generations of modified genetic varieties now contain several resistance genes within the same plant.

> **Treatment of seeds.** These are phytosanitary treatments applied to the seed by a “coating” technique, which protects the plant against certain parasites or diseases.



Research

A vital aspect of field seed and vegetable activities



Research, the very basis of the vegetable seeds business, is just as fundamental to the development of the field seeds business.

The expansion of Vilmorin's business scope means that it can benefit from significant synergies in research, particularly in upstream technology, and thus conquer new market shares, by creating more added value.

■ Complementary research set-ups

Vegetable and field seeds have a great deal in common when it comes to market evolutions and plant improvement. In the first case this particularly concerns anticipating demand and adapting products, and in the second, enriching genetic resources and controlling upstream technology.

The tools and methods used in biotechnology (*genomics, molecular marking, transgenesis*) are, of course, identical for vegetable and field seeds. By extending the scope to field seeds, existing cooperation agreements can be accentuated while optimizing complementarity.

To illustrate this fact, the discovery of a gene of resistance to insects in melon is being studied in field seeds, in order to determine whether this resistance can be transferred to other crops (cotton, wheat, etc.).

Vilmorin's research is structured on the one hand around Keygene, one of the world leaders in biotechnology in the field of vegetable seeds, and in which Vilmorin holds a 20% stake, and also around Biogemma, a plant biotechnology company for field seeds.

BIOTECHNOLOGY: TOOLS THAT ARE USED BOTH BY VEGETABLE AND FIELD SEEDS

Core business:

Improving plants through breeding

Use of biotechnology:

Conventional plants

Genetic resources
- vegetables
- field seeds

Genetically modified plants

Molecular marking

Genomics

Transgenesis

Research laboratories for plant biotechnology:

Keygene**

Biogemma***

** Keygene (vegetables): A company held in partnership with Enza Zaden, De Ruiter Seeds, Rijk Zwaan (Netherlands) and Takii & co (Japan).

*** Biogemma (field seeds): A company held in partnership with the seeds companies Euralis and RAGT and the financial institutes for the oil and protein sector, Sofiprotéol, and the cereals sector, Unigrains.

■ Well-defined responsibilities

Within its new scope, the research organization is based on clearly determined responsibilities between:

> the research centers and laboratories of Vilmorin,

> the main structures, Keygene for vegetables and Biogemma for field seeds,

> and other partnerships with public or private research such as Génoplante, an association of French research institutes in plant genomics, involving almost 400 researchers.

Biogemma: a European leader in biotechnology for field seeds

Biogemma, set up recently in 1997, is vital for Vilmorin's research, and is held in conjunction with the seeds companies Euralis and RAGT, and the financial institutes for the oil and protein crops (Sofiprotéol) and cereals (Unigrains) sectors. With a research budget of 12 million euros per year, Biogemma is one of the European leaders in biotechnology.



■ Upstream technologies, an essential factor in innovation

Biogemma's research programs particularly concern *genomics*, *molecular marking* and *transgenesis* applied to the major plants grown in Europe (corn, wheat, rape and sunflower). By analyzing the *genome* of plants very closely, *genomics* and *molecular marking* can be used to gain considerable time in developing new varieties and meeting market needs more quickly. *Transgenesis* is used to improve plants when conventional crossbreeding methods between varieties turn out to be inefficient.

Saving water resources, reducing chemical treatment, food quality, health and safety, are all examples of the perspectives opened up through Biogemma's research work in plant breeding.

For example Biogemma has undertaken large-scale research to improve the resistance of corn to hydric stress without production capacities being affected. Thus Biogemma is working to develop drought resistant corn, particularly using *transgenesis* to introduce a gene from sorghum, a cereal that is particularly tolerant of drought.

■ Current redeployment plans

In a European context that is unfavorable to the development of plant *biotechnology*, at the end of March 2006 Biogemma announced its decision to restructure its configuration.

This reorganization will lead to the closing of two laboratories from the four that exist today, and a redeployment of research activities to the laboratories of Mondonville (oil and protein crops) and Auvergne (cereals).

When this reorganization plan is completed, the permanent staff at Biogemma will stand at around 90.

New directions for Vilmorin research

Fortified by its new dimension, Vilmorin has set itself 4 strategic priorities in research:

■ Continuing investment in the conventional breeding of improved varieties and the extension of genetic resources

The aim is to create new breeding stations, valorize breeders' know-how, and combine this with a determined policy of external growth and the development of research partners.

■ Increasing investment in biotechnology

This involves promoting progress in *genomics*, *molecular marking* and *transgenesis*. In this latter technique, access to *traits* is particularly strategic. As well as setting up cooperation agreements with certain agrochemists, Vilmorin would like to develop its own agronomic traits (resistance to drought, improved digestibility of forage corn etc.).

■ Organizing complementarities between vegetable and field crops

These complementarities concern:

- *biotechnology*: organizing the exchange of tools and know-how between the vegetable and field crop research stations. Those concerned will be company laboratories, some of which are working on programs involving species that are similar to each other in genetic terms, and laboratories specialized in *biotechnology*.
- seed treatment: this operation is carried out after drying, cleaning and sorting the seeds. It is potentially a source of substantial innovation as the treatment used and the knowledge of how to carry out the treatment determine the ability of the seed to resist certain insects, and are conditions for its ability to germinate and its facility to be sown.



■ Diversifying potential sources for growth

Vilmorin is defining its research programs so that it is able to fully benefit from the emergence of new potential sources for growth and satisfy the needs of the following markets:

- Nutrition and health

Nutrition is one of the major food preoccupations in western countries because of the sudden increase in obesity and diabetes. Vilmorin is fully aware of this situation and over the last ten years, criteria concerning nutritional quality have been part of its plant breeding programs.

Certain research topics therefore aim at improving the natural antioxidant properties of vegetables, microconstituents that can play a preventive role in the development of various pathologies, including cardio-vascular illnesses and some cancers.

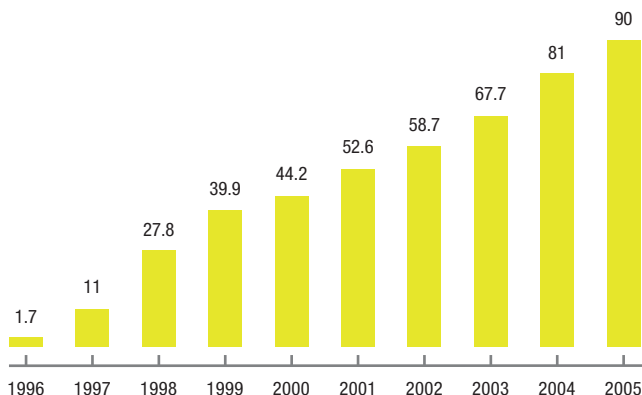
Improving the nutritional qualities of seeds also involves field seeds. One of Vilmorin's current research topics aims to create varieties of wheat and maize that produce a weak glycemic index once they are in the form of ingredients. This index measures the level of glucose in the blood, a determining factor in the development of various forms of diabetes and obesity.

- Genetically modified seeds

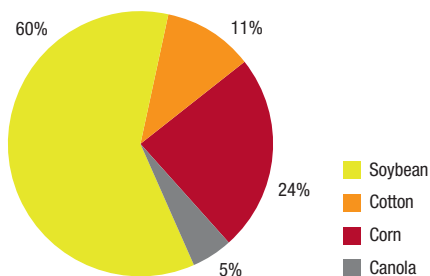
Today worth more than 5 billion dollars (more than a quarter of the global seed market), the transgenic plant market has multiplied by more than 25 in 10 years. The main genetically modified plants are corn, soybean, *canola* and cotton, which are now found mostly in North America, South America, and on a smaller scale, in Asia. As for genetically modified seeds, today they represent a very small proportion of the market; nevertheless they should emerge in Asia before too long.

Through the integration of its new field crop business, Vilmorin has an active market in North America through its subsidiary AgReliant and targeted research programs to accelerate the increase in its market share.

THE RAPIDLY EXPANDING MARKET
FOR GENETICALLY MODIFIED PLANTS



Evolution of surface areas of genetically modified crops
in the world in 2005 (in millions of hectares)



Market for genetically modified plants:
breakdown according to species in 2005

(Source ISAAA 2005)

- Biofuels

The biofuel market is certain to develop rapidly, particularly because of the evolution of European legislation and the shortage of fossil resources. Vilmorin should benefit directly from the increase in farmed land.

- Bioplastics, made from agricultural raw materials

The bioplastics market, whose growth is linked to the need to protect our environment, driven by the evolution of legislation, is at the very dawn of its development. Markets for the application of bioplastics are indeed particularly wide: mulching film, bags, household packaging, catering, etc.

Vilmorin is accelerating its research investment in this field, and already has several specific cereal varieties used to manufacture plastics that are entirely biodegradable.

Vilmorin's research: A few key figures

- > Investment: 88 million euros per year, i.e. 10% of total sales*
140 million euros per year if one integrates all the programs financed in partnership (Keygene, Biogemma, Génoplante, AgReliant, etc.).
- > Research stations**: more than 60.
- > Headcount: more than 1 100 which is 25% of the total headcount.

* On a pro forma basis on June 30th 2006

** Excluding experimentation stations



has become



Shorter and simpler, this new name will enable us to capitalize on the reputation of Vilmorin. It implies change, and yet also continuity between the former and new scope. Vilmorin is indeed the same profession, the same strategy and the same philosophy, "Cultivating the taste of life".

This new name goes with a new visual identity, which also associates both continuity and novelty.

› The symbol still comprises two leaves representing the activity, balance and stability. At the same time, recognition of Vilmorin Clause & Cie's graphic codes is maintained, particularly with the red, the primary element forming the base of the identity.

› As for change, it is expressed through the logo, which has been modernized with a three dimensional symbol and with an original more legible typography.



Plant breeding

The example of the hybrid melon ANASTA from Clause Tézier

> After analyzing the market, the profile of the future melon variety was determined: its priority qualities and innovative characteristics, such as the slow evolution on the plant in the case of ANASTA. This special feature means the variety is very flexible for harvesting, which is particularly appreciated by market gardeners.

> At this point the parents are selected:

- the male parent of ANASTA provides internal quality, slow evolution while still on the plant and good stability after harvesting,
- the female lines provide a higher level of resistance to pathogens, yield and *organoleptic* qualities.

> A collection of experimental *hybrids* is produced from the lines that have been selected.

This collection is assessed in the field in different production zones for Charentais melon, mainly in France and in Spain. The condition of the melon over time is then assessed on a large scale.

> The success of ANASTA and its sister varieties HUGO and INDOLA, are uncontested: they represented 81.5% of market shares for seasonal melon in France in 2005!



Research

- > Definition of the variety profile
- > *Breeding* of the new parents
- > Cross-breeding
- > Evaluation tests
- > Choice of *hybrids* and development

Seed production

- > Definition of the specifications with the network of *multiplication farmers*. Production in France and in other countries
- > Sowing
- > Technical assistance and crop follow-up
- > Harvesting and extraction of the seeds
- > Quality control: sanitary inspection, genetic control, (identity and *purity of variety*), germination control



Processing

- > Drying, cleaning, sorting and grading
- > Treatment: *coating* or *pelleting* with a phytosanitary product
- > 1st quality control
- > Packaging (boxes or packets)
- > 2nd quality control
- > Storage



Marketing and sales

- > Definition of product mix: price, position, advertising, etc.
- > Design of sales literature: brochures, product sheets, flyers, etc.
- > Management and picking of orders
- > Distribution to distributors or direct to the customers
- > After-sales service



1906: Canna - "Zambezi"
Water-color by Paul SEGUIN
- BERTAULT

260 years of prestigious history

The worldwide reputation of Vilmorin is anchored in more than 260 years of particularly rich history. Dedicated to the improvement of vegetable plants, flowers and trees, it is interwoven with the dynasty of the Vilmorin family, true precursors in this field.

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 turnips, red clover or rape foreshadowed the future Guide Vilmorin, and Pierre d'Andrieux, a seed collector and botanist of Louis XV.

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

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 crossbreeding method, the *hybridization* of wheat, the creation of disease-resistant beans, etc.



Small Kabocha squash
(Kyowa Seed), fast growing,
rich in carotene and adapted to
micro-wave cooking

Henry de Vilmorin, a breeder of true international reputation

Henry de Vilmorin (1843-1899), agronomist, botanist and researcher, made a name for himself in 1873 by inaugurating the improvement of wheat varieties using the method or reasoned crossbreeding. He thus created the famous series of high-yield hybrid wheat varieties, which had extremely beneficial repercussions on wheat crops when adopted in France.

While publishing or contributing to several works, including "Les Plantes potagères" (Vegetable Plants), he continued the experiments initiated by his ancestors on crops such as cereals, potatoes, and roots used for food and industry. He also conducted research into the improvement of sugar beet.

Henry de Vilmorin was also a great engineer: in particular he designed the Vilmorin-Andrieux establishments in Massy Palaiseau, used as a garden, production farm and storage site.

A true ambassador for France and science throughout the world, he enriched existing plant collections with a host of varieties he brought back from his numerous trips, and became a jury member for all international agricultural and horticultural meetings.

Key dates

> Foundation of the Group's companies

- 1743: Vilmorin (France)
- 1785: Tézier (France)
- 1788: Sperling (Germany)
- 1806: Suttons (United Kingdom)
- 1892: Clause (France)
- 1906: Flora Frey (Germany)

> Construction of the Group

- 1975: Vilmorin joined Limagrain
- 1993:** Vilmorin & Cie entered the stock market
- 1997: Vilmorin & Cie became Vilmorin Clause & Cie after the purchase of Clause
- 2006:** Vilmorin Clause & Cie absorbed Limagrain's field seeds business and became Vilmorin.

> External growth operations

- 1979: Tézier (France)
- 1990: Flora Frey (Germany)
- 1994: Suttons (United Kingdom)
- 1996: Clause (France) and Harris Moran Seeds (United States)
- 1998: Nickerson Zwaan (Netherlands)
- 1999: Henderson Seeds (Australia) and Geissler (Switzerland)
- 2000: Kyowa Seed (Japan)
- 2001: Keygene (Netherlands)
- 2002: Van den Berg (Netherlands)
- 2003: Hazera Genetics (Israel)
- 2004: Sperling (Germany)
- 2006:** Mikado Seed Growers (Japan)

Their exceptional history has been enriched through significant artistic contribution. Water colors painted by the greatest artists of the time, botanical plates and plaster molds were used to illustrate the first catalogs. These magnificent works of art today constitute a heritage of great value.



19th century: apple, citrus, cocoa, pumpkin
Plaster casts - M. THEVENY



Texto Carrot (Vilmorin), which received an award from the profession for its resistance to breakage, ice and its high resistance to leaf disease



Hystyle Bean, combining yield and rusticity

The innovative capacity of these successive generations goes hand in hand with the company's industrial and commercial expansion.

Vilmorin strives permanently to extend this exceptional heritage by pursuing its research work devoted to the knowledge and improvement of plants, and to make an important contribution to conserving biodiversity.

From Vilmorin Clause & Cie to **Vilmorin**

Vilmorin, just like Vilmorin Clause & Cie, has a unique business activity, that of producing seeds, and based on the rich experience of several centuries of history, and controls each stage in plant breeding: research, production, processing and distribution of seeds.

Professional activity: Professional vegetable seeds for those involved in vegetable production

Vilmorin creates, produces and sells high performance vegetable seeds for the Professional agri-food market.

Market gardeners – who will be producing vegetables for fresh markets, – and processors, specialists in canning, *deep-freezing* and *freeze drying*, make up its main customers.

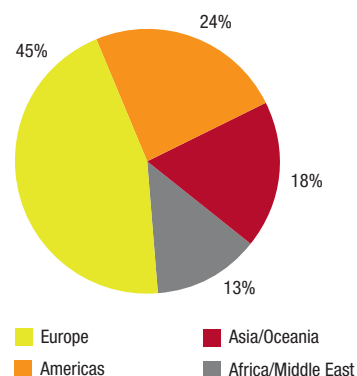
In 2005-2006, Vilmorin made sales of 345 million euros on this constantly progressing market, thus reinforcing its 2nd place in world standings.



Key figures

- > Competitive position: n°2 in the world.
- > Sales of finished goods 2005-2006: 345 M€ (+ 4,05% compared with 2004-2005).
- > Net income: 45.8 M€.
- > Headcount: 2 029.
- > Capital investments: 11 M€.
- > Research expenditure 2005-2006: 13.4% of Professional sales.

BREAKDOWN OF SALES ACCORDING TO GEOGRAPHIC ZONE:



Seeds with high added value

The basis on which all of Vilmorin business activities are founded is high performance. There are two challenges involved: anticipating and meeting the needs and tastes of consumers, while optimizing their economic value. They seek ever more innovative varieties: improved productivity, better adaptation to growing and processing conditions, better organoleptic and nutritional qualities.

Vilmorin works on more than 30 different species, and in particular those that are most widely consumed throughout the world: carrot, tomato, bean, melon, pepper, cabbage, cauliflower, cucumber, squash, lettuce and sweet corn.

An operating organization that emphasizes autonomy for its subsidiaries

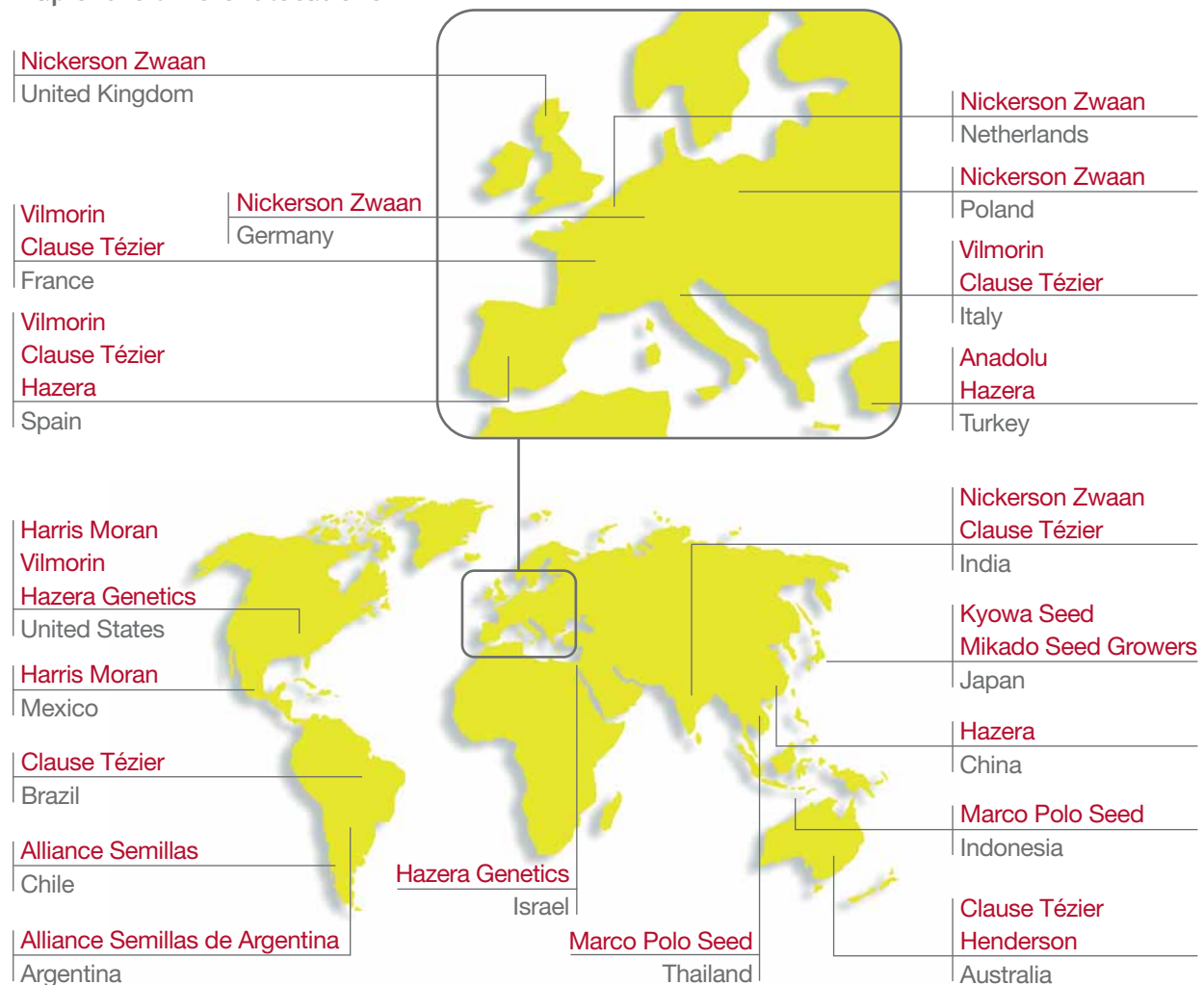
The Professional business has locations that cover the main consumer and production zones in the world. Operating organization is structured around the five following business units, which each form a base to branch out to international territories:

- > Vilmorin/Nickerson Zwaan for Northern Europe,
- > Clause Tézier for Southern Europe,
- > Harris Moran for the Americas,
- > Hazera Genetics for the Middle East and the Mediterranean basin,
- > An Asian unit, built around Kyowa Seed, Mikado Seed Growers and Marco Polo Seed.



Through this decentralized 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 joint activities in numerous different areas: research, production, administration or sales.

Map of the different locations



Company business: achievements and perspectives

Excellent business performances

During fiscal 2005-2006, the Professional companies achieved excellent results, well above the objectives fixed, and improved their sales by nearly 15% (including 3.9% internal growth).

For example, Vilmorin and Nickerson Zwaan increased business on the canning and fresh vegetable markets, particularly for lettuce and plum tomatoes. Clause Tézier continues to progress, stimulated by export markets such as Italy, Turkey, Brazil and India. As a consequence of this development, the tomato now holds a preponderant place in the company's product assortment.

In North America, Harris Moran continues to reap the benefits of its excellent results on the Mexican market with its top class tomatoes and peppers, and has consolidated its position as n°2 on this market.

Over and above the global growth of this business sector throughout the world, the progression is a reflection of market shares won as a result of a very dynamic sales campaign and innovative products meeting the expectations of the Professional operators of the agri-food sector.

Thus, on June 30th 2006, the proportion of Professional sales of products coming from Vilmorin's research programs rose by 0.5 points reaching the level of 84%.

Asia at the heart of international strategy

With a value that is estimated at just over one billion euros, the Asian market today represents about 50% of the potential Professional market targeted by Vilmorin. This is the reason why Vilmorin continued to strengthen its business in the zone in 2005-2006.

■ Towards the creation of a business unit for seeds in Japan

With the agreement of the other shareholders in the company, at the beginning of March 2006, Vilmorin closed the majority takeover of Mikado Seed Growers, with 54% of its stock, compared with the 20% previously held.

Mikado Seed Growers is one of the main Japanese producers of vegetable seeds intended for the Professional market. The company has nearly 70 employees with sales of around 19 million euros, 40% of which concerns seeds: the company also distributes agricultural supplies, which is the normal practice for Japanese companies working in this sector.

The objective of this operation is to accelerate the growth of Vilmorin's activities on the Japanese market, and more widely in Asia.

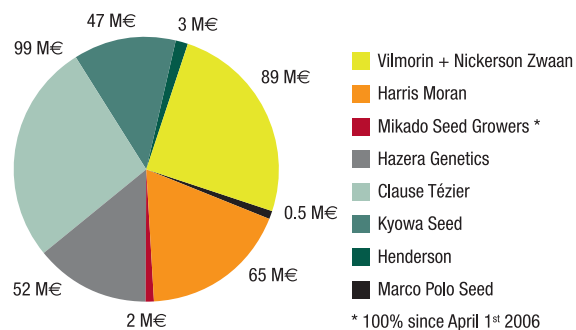
Vilmorin and the respective minority shareholders of Mikado Seed Growers and Kyowa Seed (59% of which is already held by Vilmorin) have also begun negotiations with a view to the two companies joining forces. This operation is about to be finalized, and will lead to the creation of a top class business unit for seeds in Japan, both in terms of *genetic resources*, research investment and commercial positions.

■ China: the first step in our successful introduction

The new production location for seeds set up during the course of 2005 in China (Gansu province, 2500 km from Beijing) is now in operation for all the Professional companies. The first stage in development involves testing a certain number of varieties on this market both in terms of production and sales. The second stage involves integrating research activities, particularly for plant *breeding*, providing genetic material and intellectual property can be protected.

The sales and marketing activities remain the individual responsibility of the companies that are present in China.

CONTRIBUTION OF THE SUBSIDIARIES TO THE CONSOLIDATED PROFESSIONAL SALES:



■ Indonesia: fine performances from Marco Polo Seed

In spite of particularly difficult economic and climatic conditions this year, Marco Polo Seed Indonesia performed extremely well, with sales up more than 30% compared with the previous fiscal year. The company is modest in size compared to the other Professional companies, but operates on a large market, with the following crops: melon, water melon, cabbage and pepper. The company also benefits from the plant breeding programs run by its subsidiary in Thailand and a large sales team that represents more than half the permanent staff in Indonesia.

Meeting needs and anticipating demand

As world leader for tomato seeds, Vilmorin has managed to consolidate its advance through numerous innovative products from its research programs. Vilmorin's expertise in this species is uncontested, and a source of strong added value and inspiration for all the Professional companies, three of them in particular.

> As part of its tomato-breeding program, Clause Tézier has developed varieties that are resistant to TYLCV "Tomato Yellow Leaf Curl Virus". This virus has been causing great damage for several years to tomato crops in hot regions. These varieties have already been highly successful in Mexico and Spain before being launched onto other markets.



F1 Imperio tomato. Clause Tézier

Objectives

- > Ensure, at the average level it has in previous years, average growth in sales of 4 to 5% per year and 8 to 10% for profitability.
- > Stay on the look-out for any external growth opportunities, particularly in Asia.
- > Strengthen cooperation between the companies, particularly by setting up synergy between the research programs.



Lancelot Tomato. Vilmorin

> Vilmorin continues its drive to conquer the Italian market for the San Marzano type plum tomato. Launched on the Italian market in 2001, the variety Lancelot is now the leader on this market. It is a low juice tomato, appreciated for its long shelf life, its firmness and its rich aromas. Lancelot should soon conquer new territories in France and in North Africa.

> Finally, Hazera Genetics is launching a new brand, known as "Hazera Boutique™", bringing together high range varieties combining taste and technical performances.



Antoinette tomato. Hazera Genetics

Event occurring after closing the accounts

Vilmorin consolidates its stake in the capital of Hazera Genetics

In July 2006, Vilmorin increased its stake in its Israeli subsidiary Hazera Genetics from 54.8% to 90%, by purchasing the shares of the holding company Megadlei Zeraim Ltd.

Thus Vilmorin has made a long-term commitment to accompany Hazera's development strategy. This strategy will, in particular, rely on an intensification of cooperation with the other Professional vegetable companies and further partnerships with structures outside Vilmorin.

A constantly progressing market

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

The market for vegetable seeds concerns all the continents. The operators in this market work side by side in the major production and consumption zones. The sector has become highly concentrated over the past ten years. Nevertheless, it still remains scattered, and there is a preponderance of certain operators in specific areas. Accordingly, 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 counter-season.

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.

■ A considerable increase in the consumption of vegetables

Over the last ten years, world consumption of vegetables has increased significantly. It went up by more than 50% between 1992 and 2003, reaching the figure of 118 kg of vegetables eaten every year per inhabitant. This trend is due to two reasons:

- > In developing countries, because of the fast increase in population and the evolution of the standard of living. This evolution has led to diversification of eating habits, and in turn to greater consumption of fruit and vegetables.
- > In developed countries, where the population remains stable, there is an emphasis on questions of health and food safety.



In several countries, the public authorities are developing awareness at all ages of the importance of a healthy, balanced diet with more frequent and diversified consumption of fresh fruit and vegetables. This new awareness is behind a massive new development push.

■ An increase in farmed acreage

According to statistics published in 2005 by the FAO, between 1994 and 2005 the surface area used worldwide to grow vegetables rose by more than 50%, reaching 52.1 million hectares. During the same period vegetable production increased by more than 60%.

■ The displacement of production areas

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

- > Southern Europe and North Africa for the European market for fresh produce,
- > Mexico for the North American market for fresh produce,
- > Eastern Europe and Asia 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.

A more and more concentrated competitive market

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 half of the world market for sales of vegetable seeds. They are all integrated and have all developed a significant level of research.

	Groups	Countries	Sales of vegetable seeds (M\$) (1)
1	Seminis (Monsanto)	United States	540
2	Vilmorin	France	403
3	Syngenta	Switzerland	384
4	Nuhnems (Bayer Crop Science)	Germany	223
5	Takii	Japan	155
6	Sakata	Japan	141
7>10	Rijk Zwaan	Netherlands	<140
	De Ruiter	Netherlands	
	Bejo Zaden	Netherlands	
	Enza	Netherlands	

(1) Base 2005-2006: 1 euro = 1.24 USD and 1 euro = 138 yen.
(Sources: corporate publications and Vilmorin estimates).

The vegetable seeds market involves three types of operator:

> Industrial groups from the agrochemical sector.

Just like Monsanto and Syngenta, they have a field seeds division and/or a vegetable and flower seeds division.

> Specialized seeds groups.

They develop most of their business on the seeds market, for example, Takii, Sakata, Vilmorin, etc.

> Family businesses.

Such companies (De Ruiter, Bejo, etc.) have been specialized, for several generations in seed research, production and distribution, and frequently operate on a limited number of markets or species.



■ 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.

At the end of January 2005, the American company Monsanto, leaders in field seeds (corn, soybean, cotton, etc.) made its entry into the competitive environment of vegetable seeds with the acquisition of the largest Professional seeds company, Seminis.

The competitive advantages of Vilmorin

> A research budget of more than 13% of Professional sales and renewed every year.

> A regular increase in the *sales from proprietary varieties*, showing the added value generated by research programs.

> Solid partnerships and strategic alliances.

> Strong internationalization of business activities (40% of Professional sales made outside France) ensuring commercial development and access to *germplasm* while optimizing risks.

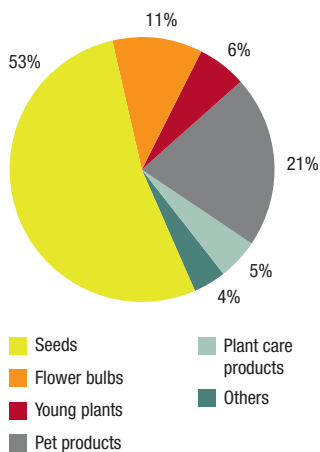
> Decentralization of business activities, thus favoring close proximity to market realities.

Home Garden activity: Seeds and garden products for amateur gardeners



Vilmorin creates, produces and sells varieties of flower and vegetable seeds to the market for amateur gardeners. It also offers them a wide range of gardening products. World leader on this market sustained by the development of outdoor leisure activities, Vilmorin's Home Garden business made sales of 149 million euros in 2005-2006.

VEGETABLE SEEDS,
CORE BUSINESS
STRENGTHENED BY HIGHLY
COMPLEMENTARY LINE-UPS:



Breakdown of sales according to product
(as a %). 2005-2006.

Permanent innovation with the backing of well-known brands

Vilmorin offers amateur gardeners different line-ups of seeds and garden products. These product ranges are accompanied by accessories for pets since very often these consumers also have a pet at home.

Vilmorin is in permanent contact with these consumers in order to cover all their needs: better quality, safety and convenience.

In such a context, consumer trust in major brand names is essential, as they are synonymous with success.

This is a real advantage for Vilmorin, which manages a portfolio of well-known brands adapted to each geographic region and covering all the distribution circuits.

Key indicators

- > Competitive position: n°1 in the world.
- > Sales of finished goods for 2005-2006: 149 M€ (- 4 % compared with 2004-2005).
- > Net income of activities followed : 2.3 M€ after a subsidy to Flora Frey.
- > Headcount: 773.
- > Capital investments: 1.5 M€.



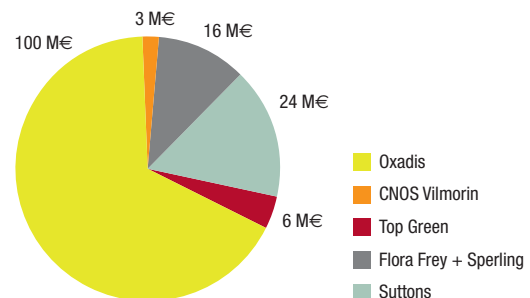
An operating organization that concentrates on the major markets for European gardening

The Home Garden business is structured around four operating business units:

- > Oxadis in France, in coordination with Flora Geissler in Switzerland and Van den Berg in the Netherlands,
- > Flora Frey / Sperling in Germany,
- > Suttons in the United Kingdom,
- > CNOS Vilmorin in Poland.

Top Green is responsible for the supply of lawn seed for all the Home Garden companies.

CONTRIBUTION OF THE SUBSIDIARIES TO THE CONSOLIDATED HOME GARDEN SALES:



Map of the different locations



Company business: achievements and perspectives

A strategy targeting European markets with high added value

Since the Home Garden business has been operating on markets increasingly heterogeneous and the financial performances of its companies have varied considerably, an action plan was implemented in the spring of 2005, with two fundamental objectives:

- > to improve the operating profitability of the overall Home Garden business;
- > to open up new opportunities for growth by laying emphasis on an active policy of innovation, supported by brands with a powerful reputation and investment in advertising.

This plan, which is currently in progress, aspires to refocus all the business on the market segments that provide the most added value, to optimize industrial and logistic resources, and to build up business units according to their know-how.

■ Sale of the American company Ferry Morse

The specificities of the North American market, in particular product line-ups and distribution networks, meant that Ferry Morse's business no longer fitted in with the new global strategy set out for the Home Garden division.

Consequently, Vilmorin withdrew from this market in October 2005, selling its total stake in Ferry Morse to the Norwegian company Jiffy International AS, specialists in products for young plants. The operation was finalized for a total of 24.6 million dollars.

A string of awards for Oxadis innovation!

In 2006, distributors and journalists acclaimed the range of new gardening solutions "Le Carré" under the Vilmorin brand, for the pleasure of gardeners seeking simplicity and success:

- > The Golden Trophy for Novelty, awarded by Promojardin (Inter-Professional Association for the Promotion of Gardening);
- > The Jardin Plus Golden Trophy (for the 2nd consecutive year), awarded by the group "Jardinerie végétal", for the best supplier of gardening products;
- > Laurier AJJH (Association of Journalists for the Garden and Horticulture) for the Step-by-Step "Carré" (flower bulbs).



The TV advertising campaign of Spring 2006.
Vilmorin "Carré" sowing box

■ Oxadis accelerates its redeployment in France and internationally

In a somewhat morose market context, marked by a slow-down in European consumption and unfavorable climatic conditions, Oxadis is redeploying its business activities around its emblematic brand Vilmorin. The development plan adopted involves three main orientations:

> Promoting gardening to recruit new consumers.

Oxadis continued to advertise to promote gardening with consumers as a source of pleasure and good health. Several adverts in magazines challenged prejudices that people have about gardening, strengthening the image of the brand and consumer trust. These adverts were accompanied by a first-time advertising campaign shown on the main TV channels to boost the launch of novel products.

> Innovating to make gardening easier and stimulate the market.

Oxadis launched a series of unprecedented innovative products through a full range of new gardening solutions, with sowing boxes known as "Le Carré", to make gardening as easy as pie, even for the novice. Customers and consumers were very enthusiastic about this strategy, which demonstrates that Oxadis is the uncontested leader for plant products in France. This strategy will be pursued in years to come.

> Develop the Vilmorin brand both in Europe and internationally through a unique network of partners.

The company exports its know-how in seeds by concentrating on top range market segments that are receptive to the positioning of the Vilmorin brand. Product supply will be adapted to local expectations through a unique network of international distributors.

This development beyond the frontiers of France has been facilitated by new operational organization in Europe, whereby the companies Flora Geissler in Switzerland and Van den Berg in the Netherlands now report directly to Oxadis. In order to optimize industrial plant, the French flower-bulb packaging workshop has been transferred to Van den Berg.

■ Flora Frey/Sperling continues to reorganize

The streamlining plan for Flora Frey and Sperling, first implemented in the spring of 2005, is now being rolled out. It must provide the company with the means to reposition itself on the German markets with the greatest added value, and thus improve its profitability.

The social plan affecting 50 people had been finalized by the end of June 2005 and was accompanied by a job assistance plan for the employees concerned.

Just like Sperling, leader on the specialized circuit, Flora Frey's portfolio of customers is now concentrated on the most profitable segments of the German market (garden centers and DIY stores). Certain unprofitable products ranges have been discontinued (for example fertilizers).

Finally, Sperling's industrial site in Lüneburg has been transferred to the Flora Frey site in Solingen. This optimization of plant will lead to an improvement of the company's industrial productivity.

Through this action plan it has been possible to improve the company's profitability significantly. Flora Frey/Sperling must take inspiration from Oxadis' development model, and enter a commercial redeployment phase that will involve the repositioning of its brands and the launch of innovative products.



■ Suttons' commendable performances

In the United Kingdom, Suttons has fixed its priority as continuing to develop direct sales to consumers by mail order, particularly with young plants, in which it has more than 150 years expert experience.

Stimulated by several innovations and a repositioning of its brands, Suttons achieved fine commercial results for fiscal 2005-2006 with sales up more than 10%.

Objectives

- > Continue with the commercial redeployment phase for all its European business, emphasizing an active policy of innovation, supported by its high profile brands.
- > Develop a portfolio of businesses that are refocused on the most profitable market segments, and particularly the specialized distribution circuits: garden centers and DIY stores.
- > Achieve a significant improvement of the operating margin within two years.

Company business: achievements and perspectives



The buoyant Home Garden market

The great majority of Vilmorin's consumer sales 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. Outdoor plants are one of the largest and most dynamic segments in this market:

In billions of euros	Total gardening market	Outdoor plants
Germany	8.7	2.6
France	5.8	1.0
United Kingdom	4.0	1.2

(Source Promojardin and internal source interne - 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:

	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

(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, and disease resistance) and more practical packaging.

■ 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.

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



Quality control of young plants (Suttons)



■ Products for plant care

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 conditioner* and growing substrates: leaf mould, etc.

These products are generally distributed by large, specialized European and American groups under their own brands.

Vilmorin also operates in this segment: it uses its strong brands reputation to promote these line-ups to amateur gardeners.

■ Other outdoor plants

Flower bulbs, vegetable bulbs, packaged nursery products (roses, for example): these are all examples of other outdoor plants generally available from companies working with Home Garden seeds; 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.

■ The market for pet accessories: a constantly growing market

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

With the exception of food, this market was estimated to be worth 835 million euros in 2005, and is progressing at an average of 3% per year for combined distribution networks. The segments for rodents, cats and birds contribute considerably to this progression.

This market is not as seasonal as that of outdoor plants. In France there is a potential of one home in two with one or more pets.

The categories of distributors involved are:

- > specialized sales outlets that offer numerous novel products,
- > wholesalers,
- > large food stores.



Company business: achievements and perspectives

22

The competitive environment

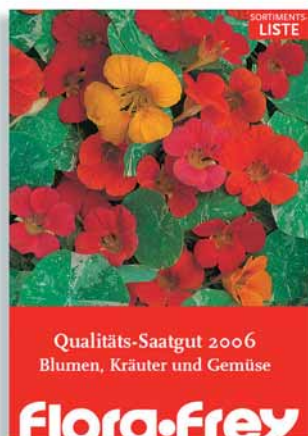
The characteristics of amateur gardeners and distribution modes vary considerably from one country to the next. And so it is often local companies that are the leaders in the main countries: the two or three main national companies generally share 60 to 75% of the market.

Countries	Companies
France	Oxadis Plan SPG Gondian
Germany	Flora Frey/Sperling Gartenland Wagner Quedlinburg Pabst Nebelung
United Kingdom	Fothergill Johnson Suttons Unwins Thomson & Morgan

(Internal source - 2005-2006).



Little Shoots. Oxadis



The competitive advantages of Vilmorin

- > A constant policy of innovation in its main markets.
- > Brands with a strong reputation.
- > A European strategy that is respectful of local differences.
- > Access to proprietary varieties and technologies developed by the Professional companies.



Mail order, a British tradition that is also winning over French gardeners

In 2002, Suttons launched a mail order sales business in France. Flower plug plants, bulbs, perennials and garden accessories are all components in this range that has been adapted especially for French gardeners.

Sales remain at a modest level with the aim being to supplement the mail order business in the United Kingdom.



The experience has been crowned a success, with sales developing fast both in terms of volume and revenue.

This year, Sutton's sales in France rose by more than 25% with two catalogs and targeted campaigns with the specialized French press.

Distribution networks

■ Modern trading, the main distribution networks

In Europe, garden products are mainly distributed through three networks:

- > a predominance of retail outlets: specialized stores (garden centers and large DIY stores), major food distributors, (gardening department) and hard-discount,
- > 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, depending on the country.

■ Private label, limited progress

Private label has made its appearance on the home garden market in recent years. Its development has nevertheless been limited, mainly because:

- > large stores give limited priority to gardening; the food sector remains the priority in their strategy,
- > gardening is a highly seasonal activity, and requires considerable advice and information, both of which make it very specific,
- > the market is fairly well wrapped up by numerous brand names with a widespread reputation.

Strategic foundations



“Cultivating the taste of life” means the commitment to putting innovation, the quality of life and respect for man and his environment before everything else.

Vilmorin endeavors to promote this vision of sustainability and responsibility as a company model.

Its strategy is therefore underpinned by the following values: a growth model based on a long-term vision, with three key areas for development (research, international development, innovation and brands) and a responsible approach.

With this strategy and its guiding principles, Vilmorin has the strong foundations to consolidate its position as world leader and offer sustainable perspectives for growth – in order to combine development and responsibility.

■ A model of long-lasting growth

Vilmorin’s development is anchored in an economic model that stresses a long term vision. Based on its core business of seeds, this model is also founded on a rich history, strong values linked to the sharing of knowledge and scientific progress, and a permanent blend of organic and external growth.

■ Three major development priorities

Vilmorin’s strategy rests on three essential and parallel development priorities, that can guarantee its capacity to consolidate its world leadership:

> Research, the keystone to success.

The mission of research is twofold: to continually enrich the *genetic heritage* of Vilmorin and provide enduring success.

In order to maintain its excellence in research and development, Vilmorin will, in reasonable proportions, be intensifying its investment both in upstream technology and conventional plant *breeding*.

> Development driven by international growth.

Vilmorin has constantly extended the international development of its business activities and locations. This international development ensures growth and good risk spread; it involves strengthening or taking up new competitive positions on all the target markets, particularly through external growth.



From Vilmorin Clause & Cie
 to **Vilmorin**

> Innovation and brands, the very base of sales and marketing policies.

At the very heart of the creation of value, both in the Home Garden business and on Professional markets, Vilmorin's marketing expertise has been built up around a portfolio of prestigious brands, and the permanent capacity to innovate.

■ A responsible approach

As far as Vilmorin is concerned, sustainable growth goes hand in hand with a responsible approach to management, respect for the environment and risk management.

> Managing so everyone is committed.

Vilmorin's decentralized management approach leaves a great deal of autonomy and responsibility to the different teams, while encouraging the deployment of synergies between the different business units. The aim of this approach is to strengthen internal cohesion, motivation and thus performance of the teams.

> Developing while respecting the environment.

Vilmorin takes the potential environmental consequences linked to its business into account, in order to control and reduce them. It participates extensively in inter-professional representative bodies, and lobbies in favor of free access to *genetic resources* and the conservation of biodiversity.

> Anticipating through risk assessment.

By remaining as close as possible to the realities of the field, Vilmorin is able to anticipate and assess all the risks that may occur, preparing appropriate reactions.

Vilmorin will pursue the same strategic orientations as Vilmorin Clause & Cie and has adopted the same growth model based on a long-term vision.

Similarly, Vilmorin's strategy focuses on an intensification of its three development priorities: research, international development, and innovation and brands.

At the same time it aims to benefit fully from new growth opportunities: the industrial applications of agricultural production, markets for genetically modified plants and nutrition.

Strategy: combining development and responsibility



Research, the keystone to successful business

Research is at the heart of Vilmorin's strategy, with the objective of constantly anticipating and providing solutions to user and consumer needs. As a primary source of added value, and therefore new market shares, it enables the company to generate its wealth for the future.

■ Anticipating and accompanying demand

Research at Vilmorin must relentlessly meet the challenge of new needs, which often vary according to geographic areas. Working closely to its customers, whether Professional or Home Garden, it strives to anticipate their needs and continually provide adequate answers. It is continually creating more sophisticated and efficient new varieties, and provides decisive improvement to already existing varieties.

There are four criteria used to determine how research programs are chosen: the size and profitability of the markets, the *genetic heritage* available, the competitive advantages and the coherence of existing line-ups. Once the programs have been selected, research is carried out on such topics as:

> Meeting the needs of those working in vegetable production and respecting agri-business norms.

In such cases the objectives are:

- improving agronomic characteristics for the market gardener.

For example, a new variety of lettuce providing resistance to a disease that is devastating production fields will be of interest to the farmer,

- meeting the technical constraints of industrialists. 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,

- taking distributor constraints into account. For example, a new variety of tomato combining a longer shelf-life and a more distinctive taste, will meet the needs of distributors.

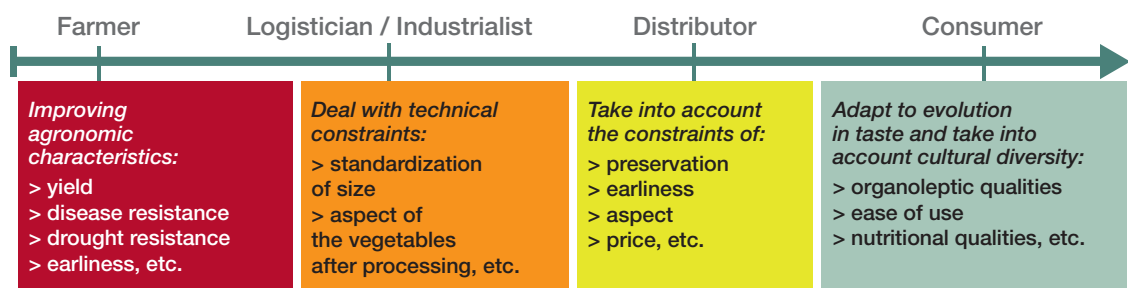
> Adapting to the evolution of consumer tastes taking into account the diversity of their different cultures.

This involves improving the *organoleptic* and nutritional qualities of vegetables, but also making them easier to use. For example research is developing stringless beans, carrots richer in vitamins or smaller seedless watermelons, etc.

> Respecting the environment: 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's researchers work in association with those of Limagrain, with public and private research institutes, both in France and all over the world: Génoplante, INRA, CNRS, the universities of Davis (California) and Cornell (New-York), HRI (United Kingdom), PRI (Netherlands), Hebrew University (Tel Aviv), etc.

THE MAIN
RESEARCH
PRIORITIES:



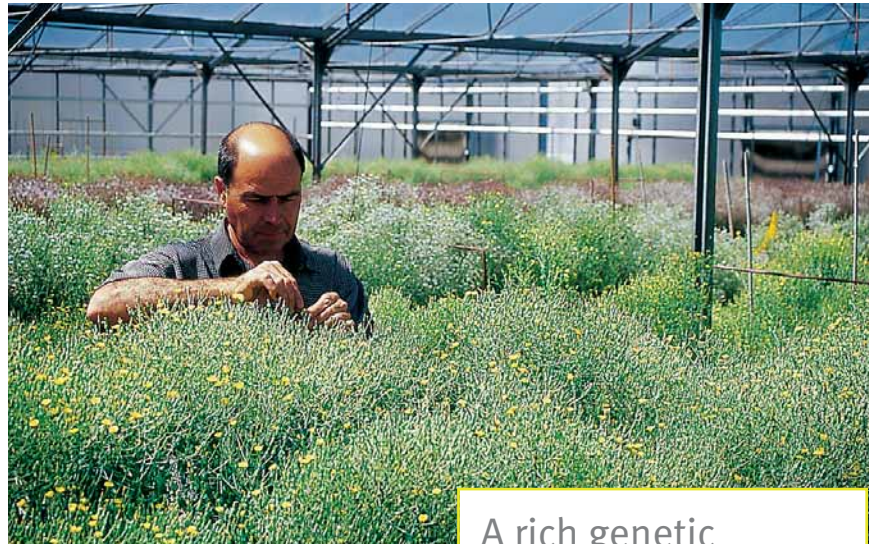
■ **Products coming directly from research: 84% of Professional sales.**

The growing share of sales from *proprietary varieties* illustrates the key role of research in Vilmorin's strategy.

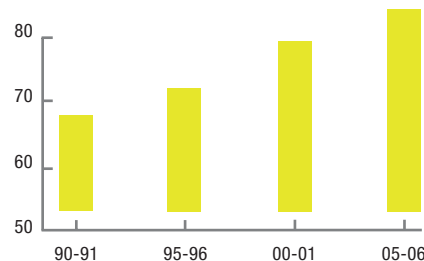
Every year the Professional companies propose more than fifty new varieties that have come out of their own research programs.

Today, these proprietary varieties represent 84% of Professional sales, compared with 50% fifteen years ago.

To a large extent the rest is made up of older varieties or line additions which are not the result of systematic research.



SALES FROM PROPRIETARY VARIETIES:
(% OF PROFESSIONAL ACTIVITY)



A rich genetic heritage

A collection of several thousand plants, built up by over 260 years: these are Vilmorin's genetic assets, the true foundation of the company's lasting prosperity, to which large-scale human and technical resources are devoted.

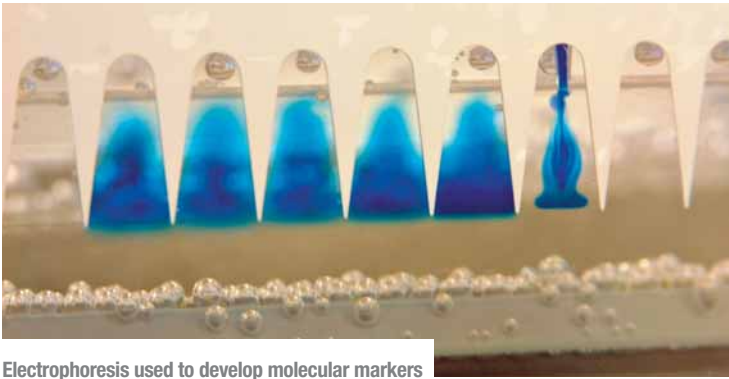
This *genetic heritage* has been continually enriched by:

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

	03-04	04-05	05-06
Research and Development Expenditure in M€	34.7	35.9	41.1 (1)
> % of total sales	7.4%	7.6%	8.3%
> % of Professional sales	12.8%	13.1%	13.4%
Number of employees	505	545	568
Number of sites including	54	55	57
> Europe and the Middle East	17	18	19
> the Americas	15	17	18
> Asia	12	10	11
> France	8	8	7
> Africa	2	2	2

(1) Directly recorded in expenses, before invoicing services of a scientific nature to Groupe Limagrain Holding, for a total of 1.5 million euros in 2005-2006.

Strategy: combining development and responsibility



Electrophoresis used to develop molecular markers

■ 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 knowledge of the genetic characteristics.

In such a context, *biotechnology* represents a wonderful time accelerator, as does the expertise of researchers.

It involves several methods, including *molecular marking*, which, through *genomics* in particular, opens up new perspectives: whereas conventional *breeding* studies plant characteristics by

observing their external manifestation as the plants grow, *genomics* goes much further.

Using advances made in molecular biology, bio-informatics and high speed *sequencing*, it can draw up a full catalog of their genes, and understand their function and interactions, and combine their interests to useful effects. Finally, transgenesis is used after all conventional breeding techniques have failed to produce the requirements.

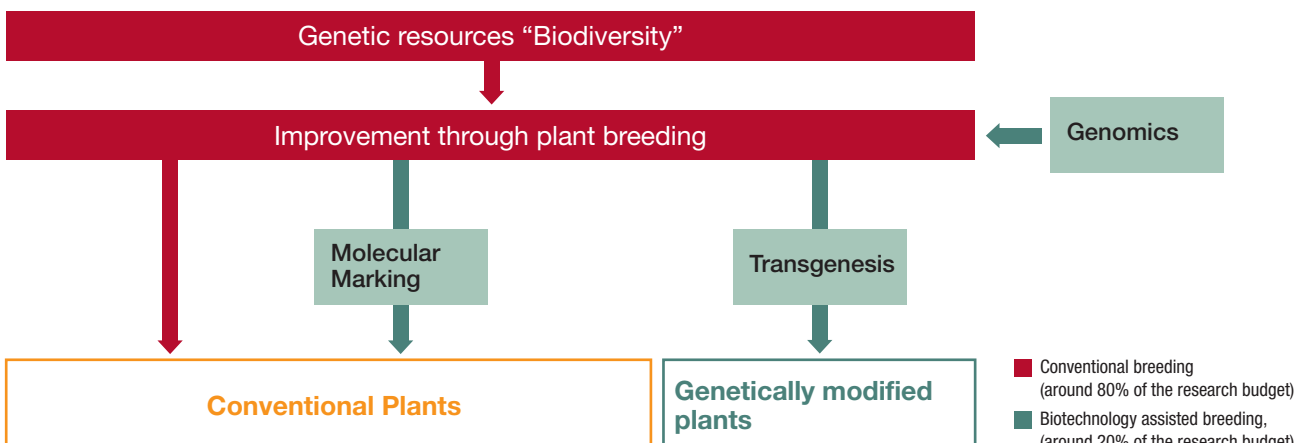
Any future progress in plant breeding will depend on continuing control over these methods which represent a fabulous potential for the years to come.

From Vilmorin Clause & Cie
to **Vilmorin**

Widening the scope of the Group has made it possible to accentuate existing cooperation agreements between vegetable and field seed technology, and to optimize complementarity in terms of upstream research. This has led to shared, and thus richer technology.

Moreover, Vilmorin is now better prepared for the development of research partnerships, in particular by targeting international structures researching into vegetable and field seeds.

BIOTECHNOLOGY AT THE SERVICE
OF PLANT IMPROVEMENT:



Research: a melting pot of know-how, genetic capital and technology



By Denis Lor, Head of research and plant improvement for Clause Tézier

Fruit of the joint efforts of a team and a plant breeder, research uses as a base the diversity of plants to create new varieties. It relies on different means and tools including highly competent teams,

a rich *genetic heritage* as well as an international network of *breeding* stations and trials on farms, with the support of genetic promoters.

Biotechnology, which is used as support for conventional breeding techniques, also consists of vital methods used in research. Accounting for 20% of the Vilmorin research budget, it includes several tools:

> Cellular biology: this includes, in particular, *transgenesis* which is used to create *genetically modified organisms* (GMOs). *Transgenesis* should only be used after all so-called conventional methods have failed to produce the requirements.

This technique may allow us to solve today's major new food problems: adaptation to drought, to poor, alkaline or salty soil, to extreme cold and heat, resistance to new diseases, but also improved nutrition, taste and food safety.

Vilmorin does not currently commercialize genetically modified vegetable seeds.

Our work on *transgenesis* concerns only research and is carried out in strict compliance with current regulations.

> Pathology: its purpose is to diagnose diseases and find ways of increasing resistance. This important activity represents 50% of our efforts. Resistance to disease and parasites is essential for any new variety.

> *Molecular marking*: it allows us to tag genes responsible for certain characteristics such as shape, color, etc. This technology, essential nowadays in the creation of new varieties, is considerably more powerful and saves an enormous amount of time: it is no longer necessary to wait for a pepper plant to reach maturity to see if its fruit is yellow or red! Knowledge of genetic maps will give *plant breeding* new and relevant navigation tools.

> What are the advantages of our research?

- a wealth in terms of *genetic resources* combined with recognized know-how in *breeding*,
- a balance between traditional research and methods derived from the latest technology,
- research teams present worldwide, directly in touch with the needs of the market,
- greater coordination between the companies of Vilmorin with, for example, close coordination on upstream research projects and common plant *breeding* projects as well as partnerships with outside organizations.

Strategy: combining development and responsibility

Development driven by international growth



From Vilmorin Clause & Cie
to **Vilmorin**

For field seeds and vegetables alike, the challenges involved in enriching genetic resources, diversifying risks and adapting seeds to local conditions are strategic.

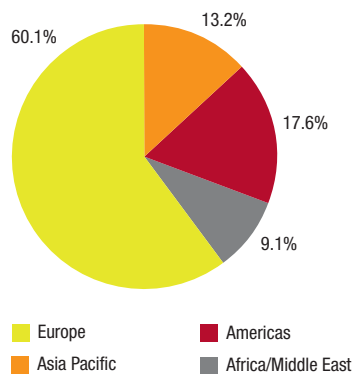
With the integration of the field seeds business, Vilmorin has taken on new activities of an international dimension. This new scope therefore consolidates Vilmorin's presence in the United States, through AgReliant, the 4th largest field seeds company in the United States, and in Europe, where Limagrain Verneuil Holding is among the leaders. In China, Vilmorin can now benefit from facilities that will help in how to approach and understand a market that is still in the process of being structured.

Finally, this extension of activities is favorable to external growth operations since companies working both in vegetable and field seeds can be targeted.

Cauliflower breeding
Mikado Seed Growers (Japan)

Vilmorin generates nearly 40% of its business outside Europe, and is present on all the main European, American and Asian markets. The continuous internationalization of its business is one of the pillars of its strategy, based on the right blend between organic and external growth.

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



Breakdown of international sales (as a %)

■ A unique model for international development

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 has attained new decisive stages over the past fiscal years through growth that combines:

> The launch of new products that have come out of Vilmorin's research, ever more efficient and adapted to the different target zones. This flow of innovations and the technical accompaniment of market gardeners in their respective areas have both helped to increase the company's market shares.

> External growth operations and partnerships, based on an original model that prefers a progressive approach to companies that are liable to join Vilmorin's scope.

It is therefore first of all through the acquisition of minority stakes that Hazera Genetics (Israel), Mikado Seed Growers and Kyowa Seed (Japan) have gradually been integrated into Vilmorin's business scope, before accompanying their long-term development through majority control. The objective of such an approach is to build up cooperation that is based on respect for the specific characteristics of each company and its culture.

Finally, this model is established on the basis of decentralized organization involving the autonomy of each of the subsidiaries. This key principle means it is possible to anticipate and adapt to local market conditions both in terms of elaborating research programs and the way sales and distribution are approached.

■ International development at the heart of strategy

Opening up to international markets is a necessity for all the main aspects of Vilmorin's business, so that the company can enrich its *genetic resources*, spread its risks, adapt to local growing conditions and get returns on its research investment.

Today, Asia has been identified as the priority zone for this development because of the continuous population increase, and the evolution in consumption habits, with more and more different kinds of vegetables being consumed.

This is why over the past thirty years, the different teams working for Vilmorin have been traveling regularly across a hundred countries in all continents. More than ever before, Vilmorin will make sure that this diversity will be even further enriched in the future.



Mikado Seed Growers reinforces Vilmorin's facilities in Japan

Mikado Seed Growers, a family company founded in 1949, is one of the main Japanese producers of vegetable seeds intended for the Professional market. The company is strongly positioned in species such as daikon radish, water melon and melon.

Located in the province of Chiba, the company has nearly 70 employees with sales of around 19 million euros, 40% of which concern seeds: the company also distributes agricultural supplies, which is the normal practice for Japanese companies working in this sector. Business is mainly concentrated in Japan and also China, where Mikado has a subsidiary near Dalian (Liaoning province).

ACTIVITIES	INTERNATIONALIZATION	BENEFITS
Research	Location of research and experimentation stations	<ul style="list-style-type: none"> - Diversification of genetic resources - Adaptation of products to their markets - Testing of growing techniques
Seed production	Detection of new production zones	<ul style="list-style-type: none"> - Better spread of climatic risks - Use of know-how specific to certain crops - Optimization of the economic conditions for production
Processing	New industrial and logistics sites	<ul style="list-style-type: none"> - Economic optimization - Creation of synergies in logistics - Risk spread
Marketing and sales	Business development	<ul style="list-style-type: none"> - Payback on investments in innovation and marketing - Valorization of products from research - Anticipating then accompanying demand

Strategy: combining development and responsibility

Strengthening our positions in Australia



By Jacky DOUBLIER
General Manager of Henderson Seeds

With sales of more than 2.5 million euros in 2005-2006, up significantly (+ 45% compared with 2001-2002), nevertheless Henderson Seeds has a modest market share, around 5% on the Professional markets in Australia and New Zealand.

Consequently, our ambition is to reach a truly critical size of 15% of the market within 5 years, in order to meet the specific needs of the Australian market, and to:

- > benefit from a structure that is capable of covering the full territory: Australia is immense, but with only 20 million inhabitants, It is an extremely scattered market;
- > propose a wide range of species, since the country is characterized by high ethnic diversity - which is synonymous with a considerable variety of tastes - and climatic diversity too;
- > take up a solid position on a market that has become more technical and more competitive.

Reaching this critical size will involve increasing the share of proprietary varieties in our sales. These will either be our own proprietary varieties - but our research can only work on a limited number of species - or proprietary varieties from other companies belonging to Vilmorin & Cie.

This is why we have been actively seeking out partnerships with our sister companies, and recently concluded a cooperation agreement with Clause Tézier, which set up a commercial subsidiary three years ago in Australia. This close co-operation, so essential to insure our future growth, will mean we can benefit from greater resources, particularly in research, and extend our product ranges at the same time.

Co-operating with Clause Tézier will also help us to go further in the creation of products that correspond to the most recent consumer habits. This is an area that we have already started exploring, particularly through the Vital Vegetable program.

This project, which is dedicated to health food, corresponds to the realities of the market (Australians have always eaten a lot of vegetables), as confirmed by one of our studies that shows that the consumer seems to be keen to buy products with health benefits.

Today, this program is moving forward steadily; a market test will be launched in 2007 in New Zealand, with our first product: a broccoli.



Grevillea Broccoli.
Henderson Seeds

Event occurring
after closing the accounts

Vilmorin is developing business in India

In July 2006, Vilmorin concluded a strategic alliance with the Indian *biotechnology* company Avestha Gengraine Technologies Pvt. Ltd (Avesthagen). Based in Bangalore, Avesthagen is one of the leaders in India in the field of *biotechnology* applied to health.

In the short term this agreement will lead to the creation of joint ventures set up to develop a top class seeds unit on the Indian market, both in vegetables and field seeds, particularly through external growth operations.

Moreover, while conforming to their respective research partnerships, Vilmorin and Avesthagen will soon launch cooperation in *biotechnology* as applied to plant breeding. In particular, this agreement will involve running research programs conjointly, and also mutual access to the technology platforms owned by each of the two companies.

A sales and marketing approach in direct contact with the field

Vilmorin favors close proximity to its different markets. This is the reason behind its decentralized organization and malleable sales and marketing policies. This approach is also based on well-known brands and continuous innovation, enabling it to develop high quality relations with both distributors and customers.

A portfolio of well-known brands

> Home Garden Business:

Aimé, Blue Magic, Carters, Clause, CNOS, Cuthbert, Dobies, Eden, Ferndale Lodge, Flora Frey, France Graines, Freya, Geissler, Grüne Fee, Scala, Sperli, Suttons, Tézier, Tyrol, Vilmorin, Vita.

> Professional Business:

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

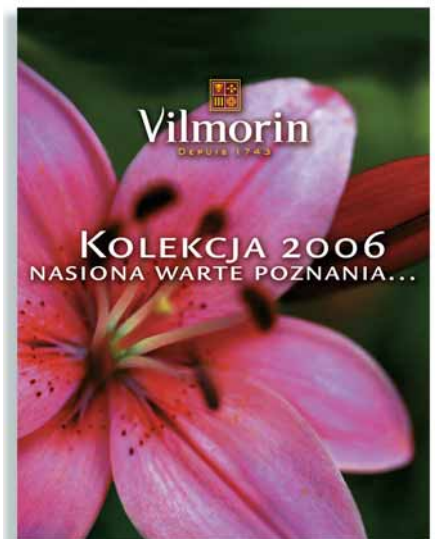
■ An efficient branding policy

The portfolio of brands is an essential aspect of Vilmorin's heritage; supply can be adapted to the geographical and cultural constraints, and extremely varied distribution channels.

These brands are all owned directly by Vilmorin's subsidiaries. They benefit from an excellent image and reputation, particularly those of the Home Garden Business, 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.

Vilmorin is constantly striving to enrich and fully exploit its brands. 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.,



Product catalog Cnos Vilmorin

- > powerful advertising aimed at the Home Garden market. Promotional campaigns, and again in 2006, a TV advertising campaign. Vilmorin's Home Garden companies also devote some of their business to specific brand names reserved for distribution chains or private label.

Strategy: combining development and responsibility

■ Innovation for the benefit of customers and consumers

Through its control over all the successive processes, Vilmorin 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, and convenience.

All the companies in the Professional and Home Garden divisions have their own innovation committees whose vocation is to find new ideas which will become the true innovations of tomorrow. At the same time, Vilmorin is constantly looking to work closely with consumers. It permanently provides them with new, more practical and informative packaging to help them in their choice and use of products.

■ Expertise in relations with distributors

Vilmorin develops relations with distributors that go far beyond the simple marketing of products.

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

Solid partnership relationships 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.



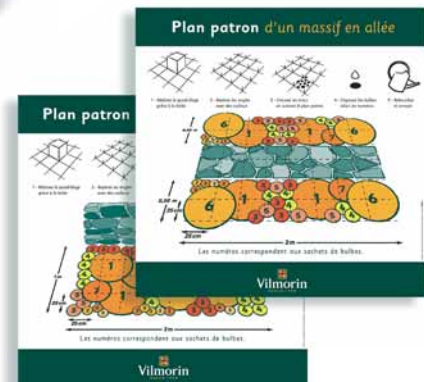
Vilmorin also provides technical and marketing support for its clients: trials of new products, promotion, launch, etc.

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

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

Internally, the implementation of a global information system (ERP) was part of the same approach: it facilitates access to reports that can assess the state of the different services instantly. Vilmorin's greater reliability and faster action in the settlement of any litigation are dependent on day-by-day management of this kind of information.

All these common resources have enabled the company to gain more custom with central trading groups and strengthen the company's positions as an international supplier.



"Step by step" bulbs. Oxadis

From Vilmorin Clause & Cie
to **Vilmorin**

Integrating the field seeds activity means the brand capital will be considerably enriched.

In Europe, names much appreciated by farmers, such as LG, Nickerson, and Advanta are now all included in this portfolio.

Similarly, in North America, brand reputation is a key factor for success, because of the nature of the distribution network. The brand names Agrigold, LG Seeds, Great Lakes, Producers Hybrids, etc. have participated in AgReliant's success since its creation.

■ The ethos of listening and dialog

Proximity is the foundation stone on which Vilmorin 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 with consumers.

Segmenting expectations in order to meet them better

Oxadis is implementing category management, in order to satisfy the different protagonists in the purchasing chain: the distributor, the purchaser, the product user and the final consumer. At all these stages, distinct expectations are expressed. For a lawn, for example, the distributor will look carefully at promotion, how the product is displayed and the price. The purchaser will pay attention to global product supply whereas the user will require tips on use and practical packaging, and the end consumer will be expecting a beautiful, resistant lawn. So the idea behind this strategy is perfect knowledge of each of the stages and people concerned, with the backing of sales teams, market studies and thorough feedback from the field.

This process has been adopted to encourage consumer satisfaction, but also profitability for the store and for the supplier. This is an original approach to the natural products market, presenting Oxadis with a real competitive advantage.

Getting feedback on customer opinions

In 2005 Suttons in the United Kingdom ran two surveys to measure the satisfaction of customers in the mail order business. Several criteria were assessed concerning the quality of the products and customer service for the company's main catalogs. For these two criteria the average rate of satisfaction was 97% with a return rate for the questionnaires of 15% on average. The company has decided to run these surveys every three years.



"Floricube". Oxadis

Marketing at the heart of creating value



By Arnaud LE VOYER
Oxadis General Manager

The marketing function is the art of differentiation. It allows a company to develop added value through a range of products and services that are the most innovative on its market. Once the strategic analysis of our markets, brands

and outlets have been carried out, we define the objectives, and the strategy to achieve them, as part of a three year plan.

On our markets, an analysis of consumer trends allows us to confirm the needs of our distributors and consumers. This is why at Oxadis, we have a determined and constant approach to innovation, convinced that it is a great source for the creation of value.

Innovation at Oxadis is built around three main approaches:

- plant variety innovation with products that are the fruit of research carried out by our Professional companies,
- adapting the latest technology to the needs of the general public: seed tape, seed mats, etc.
- developing completely new concepts that provide real solutions for the consumer and make his life easier.

Thus in 2005-2006, the launch of the "Le Carré Vilmorin" range allowed us to deploy no less than 25 products on all the plant segments, including:

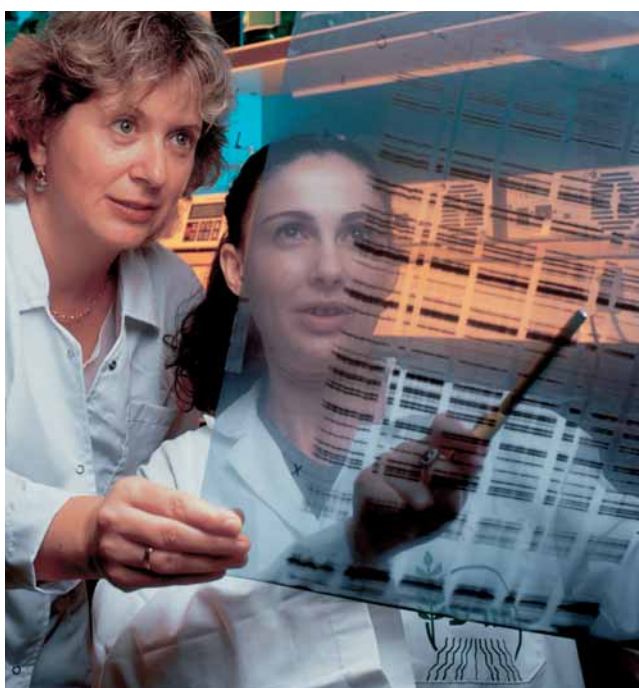
- "Step by Step", a kit you can use to create groupings of flower bulbs with four models to follow.
- "Floricube", flower assortments associated with fertilizers, in order to create a flower-bed, all in an easy-to-use sowing box.
- "Nutricube", fertilizer to be used once every year.
- "Little Shoots", seeds for germination in the kitchen to go with salads.

The great interest that distributors are showing and the unanimous consumer approval of these products have encouraged us to go for further with innovation in order to create added value. This is what just is required to succeed in pumping new energy into the gardening market.

Strategy: combining development and responsibility

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 is part of the search for this balance.



■ The principle of autonomy

Just as Vilmorin'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 responsibilities are widely delegated to each subsidiary. This holds, for example, with regard to all recruitment apart from the executive managers.

Moreover, Vilmorin strives to harmonize working methods, but without actually standardizing them, and encourages all its employees to take on a great share of autonomy and responsibility. This includes the definition of objectives, and is applied to research, the preparation of production plans and the commercial approach to the different markets.

■ A dynamic social policy

Favoring employee profit-sharing and savings schemes

The will to unite the different teams working in the company, and to encourage initiative, was the reason why Vilmorin 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. Calculations of what is paid out are based on operating income, adopted as the best indicator of performance.

In K€	Legal and company profit-sharing schemes
03-04	4 832
04-05	3 854
05-06	4 213

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

Nevertheless, Vilmorin 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.

Providence funds and health: efficient cover

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

In France, for example, all the employees benefit 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 out if the death is caused by an accident.

24 - Strategic foundations
26 - Research
30 - International growth
33 - Marketing and sales approach

36 Management

39 - The environment
43 - Risks

A European Works Council

Groupe Limagrain's European Works Council, comprising 25 members, half of whom represent companies in Vilmorin, meets twice a year. The meetings are an opportunity to exchange views on the Group's main orientations and on economic issues. Reports of these meetings are drawn up and translated so they can be sent out to the different companies.

Social and humanitarian work accomplishments

With regard to social campaigns, several individual initiatives have been taken within Vilmorin, for example:

> The professional company Vilmorin supports the development of a model farm in the Philippines. This country, and particularly the island of Mindanao (one of the three main islands in the archipelago), has been suffering from ethnic conflicts for several years. Agriculture is the main source of subsistence for the people living there, whereas the arable land continues to be eaten away.

Vilmorin is contributing to the management of this project through financial support and the supply of some of the seeds needed on this farm. The company's expertise should also contribute to the success of this operation set up by the "Catholic Delegation for Cooperation".



> The mail order catalog Fundraiser, launched by Suttons, three years ago on the British market is sent out to institutes (schools, hospitals, etc.) looking for ways to fund their activities. The diffusion and promotion of this catalog allows them to collect 20% commission on the sales generated.

> Harris Moran in the United States takes part every year in special days organized by the "The American Cancer Society". The event involves a 24-hour relay race, "The Relay for Life".

In 2005 a team of 39 volunteers made their contribution to this cause, generating sponsorship of 8 500 dollars

From Vilmorin Clause & Cie to Vilmorin

Management at Vilmorin, just like it was for Vilmorin Clause & Cie, is based on the principle of autonomy and delegation of responsibilities. Indeed, for both field seeds and vegetables, the key factors for success lie in proximity to markets and respect for local differences.



The "Seeds of Hope" team. Harris Moran

Strategy: combining development and responsibility

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■ The critical role of internal communication

Vilmorin makes full use of all opportunities to strengthen the relations and cohesiveness between its teams.

In order to do so, it uses regular internal information tools: informative letters, internal magazines, an intranet, etc.

On top of these media, Vilmorin regularly encourages direct staff events intended for the executive managers, the top executives, the sales and marketing teams and the researchers. Several seminars are organized every year, including a convention for the sales teams and another for the researchers, memorable experiences of team building and performance assessment.



■ Management tools

> With regard to remuneration, Vilmorin has a pay management tool available for all its subsidiaries, which is the end result of a survey commissioned from a consultancy specialized in remuneration. Initially this survey was conducted with all the executives at Vilmorin with a minimum of three years' experience altogether. A complementary survey has been conducted for all the top executives. Their pay scheme includes a variable part (linked to the attainment of collective and individual goals) and it is adapted depending on the different types of company, and market or local practices. This objective-based pay scheme is managed in compliance with the priorities fixed by the management of Vilmorin (profitability, indebtedness, etc.)

> With regard to the management of skills, Vilmorin has a career management tool developed in conjunction with Limagrain. This reference document can be used by each company in Vilmorin to draw up job definitions and vacant positions in a coherent manner.

A Japanese colleague in France



By Atsushi MURAMOTO
Financial controller -
Mikado Seed Growers

After finishing my studies in Japan then in the United States, and starting my professional career in Japan, I felt it was important for me to work in France. My ambition was to find out how Europeans think and work.

When Vilmorin offered me a job in France, in the financial control department, I seized this wonderful opportunity to come to the country, to work in a leading international company.

As soon as I arrived in France, I was looked after by a member of the Human Resources Department, and this helped me feel at home in the company. During the two years I was in France, I tried to spend as much time as possible with French people, to steep myself in their culture. It was an opportunity for me to learn about a different way of working to the one to which I am accustomed. In France, for example, meetings are always full of animated discussions, where people air the ideas that are needed to make decisions. In Japan, however, obtaining a consensus before a meeting is essential: lots of decisions are already made before a meeting.

In the same way, Japanese people are not used to discussing matters with their superiors. Usually, they are just happy to listen, whereas in France, discussion between colleagues, whatever their age or their position, is encouraged. Today I am back in Japan, and because I understand how my French colleagues work, I sometimes act as an intermediary between the head office and my colleagues at Mikado Seed Growers if they have any doubts or questions.

Working abroad is of course not always easy, but this experience has made me stronger mentally, more flexible and more tolerant, and has given me greater self-confidence. Contacts with other ways of working can only enrich and improve our work methods.

I felt that the French people were real Epicureans: they work hard, drink good wine, laugh a lot and enjoy complaining! I would like my fellow citizens to follow this example. Personally this culture and experience have enriched my life immensely.

Developing while respecting the environment

Vilmorin analyzes the potential environmental consequences of its business activities in order to control and reduce them.

It also defends the conservation of biodiversity and free access to genetic resources. These commitments bear witness to the company's responsible vision of its development.



Breeding work on the tomato

■ A commitment to conserving biodiversity with free access

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

Furthermore, the creation of new varieties is the fruit of many years of research work that must be rewarded fairly, which is why breeders' innovations need to be protected. In fact two different protection systems coexist in the world today: the Proprietary Variety Certificate (PVC) and the patent.

Each country is free to choose which protection system it adopts, and some governments authorize the double protection system (patent and PVC) such as the United States, Japan and Australia. In these precise cases, the breeder is free to choose between single and double protection. In Europe, only the PVC can be used by seeds producers.

The Proprietary Variety Certificate (PVC)

The PVC is a very specific intellectual property certificate, and is only applied for creations in the plant world, including vegetable varieties. This regulatory framework was first set up in 1961, and then updated on two occasions by the UPOV (The International Union for the Protection of New Varieties of Plants) which today represents around fifty different countries including most countries in the European Union, the United States, Japan, China, etc.

In particular the PVC gives protection to those that own, produce and sell a commercial variety for a period of twenty years minimum. However it also integrates two fundamental exceptions:

> The breeder's exception.

The PVC does not place any constraints on plant breeding. Thus, a commercial variety protected by a PVC can be used freely without any financial counterpart by another seeds producer in order to create a new variety, with original characteristics that are distinct from the first.

Besides conferring freedom to use protected genetic material, this exception, along with other provision in the PVC, is intended to stimulate plant breeding and extend genetic variability.

> The "farm" seeds exception.

In certain conditions, the PVC allows the farmer to use part of his harvest to resow his own plots the following year. This age-old practice of so-called "farm" seeds applies mainly to autogamous plants, whose characteristics are identical from one generation to the next.

Before authorizing the use of these seeds, member states of the UPOV must define the conditions in their legislation to ensure that the legitimate interests of the breeders of these varieties are respected.

Strategy: combining development and responsibility

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Biodiversity and the eggplant

Patents

The scope of patents is very wide, covering numerous business sectors. It gives any seeds producer who has registered this property right authorization for the exclusive use of the invention for a limited number of years and over a geographically defined area. In compensation, all the information concerning this invention is made available to the general public.

The protection scope of patents is total and covers creation (unlike the PVC), ownership, production and sales. Therefore, any seeds producer who wishes to use a patented variety must request authorization and pay any rights.

Because of this fact, such a system may be considered, at least in the seeds business, to infringe the principle of free competition.

Just like most of its European colleagues, Vilmorin argues in favor of the Proprietary Variety Certificate, which protects a certain number of its varieties, without confiscating genetic variability. In this way it sets out to promote greater genetic variability, in order to preserve the freedom to breed, one of the most basic principles of seeds production.

This fundamental question is still being discussed in numerous international organizations such as the World Trade Organization and the UPOV.

■ Using research to limit the use of agrochemical products

For several years, the breeding of varieties that are resistant to different forms of pathogens is one of Vilmorin'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 in this field, one can find melon resistant to aphids, tomato resistant to nematodes (parasite worms), several pepper varieties resistant to viruses, etc.

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

Vilmorin's research departments also develop varieties that use up less water, so that this resource can be saved.



Quality control for flowers. Suttons

■ Benefiting from new technologies while scrupulously respecting the principle of precaution

Within the framework of its research activities, Vilmorin makes use of *biotechnology* to support its *breeding* activities. *Transgenesis* is one of the techniques used to create genetically modified varieties.

Vilmorin conducts its research on *transgenesis*, which plays a vital role in extending plant breeding knowledge, in conjunction with its main shareholder Limagrain. However, until now, Vilmorin has never sold genetically modified vegetable seeds. All the research work concerned by *transgenesis* is performed in strict compliance of European and international legislation and regulations. Thus in the European Union, whose legislation is among the strictest and most exhaustive in the world, authorizations are only granted after examination by independent, official expert committees, certifying that the use of the technology does not constitute a health hazard or a risk to the environment in the defined conditions of use.

In France for example, Vilmorin has obtained authorization from the Genetic Engineering Commission for research work in laboratories and greenhouses.

Vilmorin scrupulously respects the principle of precaution, paying particular attention to responsibilities that are liable to come into play through the dissemination of genetically modified plants and to the protection of consumers and their environment.

Active involvement in inter-professional bodies

In conjunction with its reference shareholder Limagrain, Vilmorin 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.

Strategy: combining development and responsibility

■ A limited impact on the environment

Consumption of water, energy and fuel

> Given the modest surface areas cultivated, in all just a few hundred hectares for research, and about 10 000 hectares for production in the world, Vilmorin consumes very little water.

> Even though it also consumes relatively little energy, Vilmorin 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

> Vilmorin'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 wastewater, using wastewater recovery stations. Moreover, several of Vilmorin's companies have initiated *biological control methods* in the greenhouses. This leads to a spectacular reduction in the number of sprays.

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

> 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 specially authorized facilities.



Waste

> Vilmorin is careful to recycle as much of its waste as possible. Several of its facilities have abandoned rock wool for its research in greenhouses, and have generally adopted coco fiber liners, a *substrate* 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 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's companies systematically belong to packaging material recycling organizations such as "Point Vert" in France.

From Vilmorin Clause & Cie
to **Vilmorin**

Vilmorin conducts its business with a responsible vision of its development; particularly with regard to the environment. Vilmorin thus maintains its commitment to biodiversity by defending the Proprietary Variety Certificate, which preserves free access to genetic resources.

Extension of the seeds activity to field seeds also provides the opportunity to integrate new skills with regard to plant biotechnology.

All this research work is carried out in strict compliance with legislation in force.

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



■ Risks with regard to 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 several factors 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, etc.

Sales shortfalls and overproduction both depend on how these parameters are assessed. This is why validation of the production plan is the main responsibility of companies that work in the Professional business. The production plan is run by the Production Manager, and confirmed by the General Management in each company. The decentralized organization adopted by Vilmorin 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

The varied international locations of production areas, and research locations, make it possible to share out and limit the inherent risks of meteorological uncertainty.

In terms of production, this diversification of sites throughout the world is also a prerequisite because of the highly seasonal nature of the business, the specific needs of the different species and variations in demand. This is why production of seeds at Vilmorin is spread out over fifteen production sites in the five continents, including France, Chile, Thailand, China, Australia, the United States, South Africa, etc.

Vilmorin also conducts research into risks that result from climate variability, for the development of varieties that are less demanding in water and heat, etc. The 57 research locations are spread out over the five continents too.

Strategy: combining development and responsibility

■ Risks regarding suppliers: a well-tested network of multiplication farmers

To produce its seeds, Vilmorin makes use of an international network of rigorously selected *multiplication farmers*. They work either in direct contact or through production companies.



Seed treatment

A contract system has been set up in which Vilmorin retains ownership of the seed, and remains totally independent economically. 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 to the quality),
- > the schedule of operations required: sowing, upkeep, manual *pollination*, harvesting, etc.,
- > the standards of input to be used.

Monitoring and control of *multiplication farmers'* production are run by Vilmorin's teams of engineers and technicians.

■ The risks involved in processing: systematic control

Process

Being able to guarantee the quality of seeds that come out of the different factory processing operations is crucial since any malfunctioning in the process 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 is intransigent throughout all the processing stages in order to optimize the quality of the seeds received from the fields.

> Before proceeding with any processing operations, the quality of the seeds received is first tested.

> Once the quality specifications have been checked, different processing stages (drying, cleaning, sorting, grading, *coating* or *pelleting*, packaging and storage) all contribute to the quality of the seed and must in no circumstances harm its initial characteristics.

> After these factory operations, when the seed is transferred to stock, there are final quality inspections with the aim of ensuring that the operations have not diminished the quality of the seed in any way.

> Three major types of inspection are carried out:

- sanitary: to ensure there are no parasites,
- genetic: to ensure purity of variety and identity (absence of any foreign seeds),
- germination: an analysis of the germinative capacity of the seeds.

All these procedures and the use of specialized equipment guarantee a high dependable level of quality, in compliance with Vilmorin's customers.

Approved installations

With regard to installations that require specific approval, all Vilmorin's business, wherever it is located in the world, rigorously respects regulations. For example, Vilmorin's activity at its site in La Ménitré (northwest of France) is subject to approval in several areas, including the storage of combustible materials in covered warehouses, since their volume is greater than 50 000 m³.

From Vilmorin Clause & Cie
to **Vilmorin**

The integration of the field seeds business means that there will be a better spread of the risks identified by Vilmorin - by diversifying markets, the portfolio of species, and research investment.

Field seeds also carry specific risks, particularly because of how regulations for agricultural markets evolve.

Vilmorin is already working to anticipate these changes and promote a progress model according to which seeds will be at the heart of the future world agricultural economy.

■ Political risks: sensible decisions in the choice of locations

The worldwide presence of Vilmorin 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 in its international business.

■ Risks concerning the protection of innovation: constant vigilance

Vilmorin's international activities and the challenges that lie ahead with regard to free access to germplasm and brand reputation mean that there is a real risk of counterfeit varieties appearing on the market.

Vilmorin uses one of three ways to defend itself, depending on the circumstances:

> A legal approach through intellectual property. The Proprietary Variety Certificate (PVC), in particular the breeder's exception, is a way of limiting counterfeit, since it authorizes another breeder to use a commercial variety to create a new variety, with original characteristics that are distinct from the first, before it can be freely exploited.

> A technical approach using *molecular marking* to look at the *genome* of a competing variety for any similarities (proof of a certain parentage) with a variety from Vilmorin's research programs.

> A regulatory approach. The registration of varieties in official French and European catalogs helps to ensure marketing protection and to restrict the abusive use of varieties and their commercial name.

Moreover, with the rise of counterfeit seeds, European breeders are working through the ESA (European Seeds Association) to promote a professional approach to establish a guide of good practices. With this guide it will be possible to restrict the abusive use of *germplasm*, brands, packaging and logos.



Experimentation greenhouses. Vilmorin

■ Risks concerning choices in research: sharing out investment wisely

With the onset of *biotechnology*, Vilmorin 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 tools that will play a more and more prominent role in the future:

- *genomics*,
- *transgenesis*,
- *molecular marking*.

This division will ensure that Vilmorin 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	03-04	04-05	05-06
Weight of the top 5 customers	11.0%	11.9%	9.3%
Weight of the top 10 customers	18.0%	18.5%	13.4%

Vilmorin is not confronted with excessive concentration of customers that might lead to a sudden drop in business, particularly as a result of the lower proportion of its Home Garden activity in its total business for fiscal 2005-2006.

> With such a diversified portfolio of Professional customers, Vilmorin 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 benefits mainly from long-standing partnerships, with commitments and multi-year contracts with the distribution chain stores.

Board of Directors

Presentation of The Board Members



■ Chairman of the Board of Directors

Gérard RENARD

Commencement of duties: 1998
Renewal of term: 2005

M. Gérard RENARD was educated in agronomic science and agriculture, and apart from his duties at Vilmorin & Cie, holds functions as Vice-Chairman of

Groupe Limagrain, President of the Chamber of Agriculture of the county of Puy-de-Dôme, member of the committee for the Regional Chamber of Agriculture of Auvergne, and President of the Puy-de-Dôme Inter-Chamber group.

Chairman of the Board and CEO

Clause Tézier.

Chairman of the Board of Directors

Clause Tézier Iberica (Spain), Clause Tézier Italia (Italy), Nickerson Zwaan (United Kingdom), Vilmorin, Vilmorin Iberica (Spain), Vilmorin Italia (Italy).

Chairman of the Board of Trustees

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

Chairman of the Board

American Bio Corporation (United States), Harris Moran (United States), Plant Development Australia (Australia), Vilmorin Inc (United States).

Member of the Consultative Committee

Flora Frey (Germany).

Member of the Board of Trustees

Van den Berg (Netherlands).

Member of the Board

Suttons (United Kingdom), Plant Development Australia (Australia).

Member of the Board of Management

Semillas Limagrain de Chile (Chile).

Director

Oxadis, Oxadis (Italy), Groupe Limagrain Holding, Limagrain (Vice-Chairman), Maïcentre, Hazera Genetics (Israel), Marco Polo Seed (Thailand).

Member of the Supervisory Board

Groupe Limagrain Luxembourg (Luxembourg), Méristem Thérapeutics.

Member of the Board Committee

Sélia.



■ Director and CEO

Daniel CHÉRON

Commencement of duties: 2004
Renewal 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.

CEO

Limagrain Agro-Industrie.

Member of the Board

Limagrain Genetics Corp (United States).

Director

Génoplant Valor SAS.

Member of the Strategic Committee

Génoplant Recherche (representing Biogemma).

From Vilmorin Clause & Cie
to **Vilmorin**

Governance of the new group will be a combination of continuity and openness:

> Continuity, since the Board of Directors will continue to be chaired by Gérard RENARD, with the assistance of Daniel CHÉRON, Director and CEO;

> Openness, because a partial recomposition of the Board is programmed for 2007, with the appointment of an independent Director.

■ Directors



François HEYRAUD

Commencement of duties: 2000
Renewal of term: 2005

Chairman of the Board and CEO

Oxadis.

Chairman of the Board

Oxadis (Italy).

Chairman of the Supervisory Board

CNOS Vilmorin (Poland).

Chairman of the Board of Trustees

Van den Berg (Netherlands).

Chairman of the Board

Suttons (United Kingdom).

Chairman of the Consultative Committee

Flora Frey (Germany).

Member of the Board

American Bio Corporation (United States).

Director

Groupe Limagrain Holding, Limagrain, Maïcentre, Top Green.

Member of the Board Committee

Sélia.

Member of the Board Committee

Semillas Limagrain de Chile.



François DELOCHE

Commencement of duties: 1998
Renewal of term: 2005

Member of the Consultative Committee

Flora Frey (Germany).

Member of the Board

American Bio Corporation (United States), Suttons (United Kingdom).

Director

Oxadis, Oxadis Italia (Italy), Groupe Limagrain Holding, Limagrain.

Member of the Board of Trustees

Van den Berg (Netherlands).



Raoul FAURE

Commencement of duties: 1995
Renewal of term: 2005

Member of the Board

American Bio Corporation (United States), Harris Moran (United States), Vilmorin Inc (United States).

Director

Clause Tézier, Clause Tézier Iberica (Spain), Clause Tézier Italia (Italy), Groupe Limagrain Holding, Hazera Genetics (Israel), Limagrain, Marco Polo Seed (Thailand), Nickerson Zwaan (United Kingdom), Vilmorin, Vilmorin Iberica (Spain), Vilmorin Italia (Italy).

Member of the Board of Trustees

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



Jean-Denis POULET

Commencement of duties: 1991
Renewal of term: 2005

Member of the Board

American Bio Corporation (United States) (Vice-Chairman), Harris Moran (United States) (Vice-Chairman), Vilmorin Inc (United States).

Director

Clause Tézier, Clause Tézier Iberica (Spain), Clause Tézier Italia (Italy), Groupe Limagrain Holding, Hazera Genetics (Israel), Limagrain, Marco Polo Seed (Thailand), Nickerson Zwaan (United Kingdom), Vilmorin, Vilmorin Iberica (Spain), Vilmorin Italia (Italy).

Member of the Board of Trustees

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



Jean-Paul FAURE

Commencement of duties: 2004

Member of the Consultative Committee

Flora Frey (Germany).

Director

Oxadis, Oxadis (Italy), Groupe Limagrain Holding, Limagrain.

Member of the Board

Suttons (United Kingdom), American Bio Corporation (United States).

Member of the Board of Trustees

Van den Berg (Netherlands).

With the exception of M. Jean-Paul FAURE whose term expires in 2007, the term of all the other members of the Board of Directors expires in 2008.

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 - BP 1 - 63720 CHAPPES.

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 2005-2006, the Board of Directors for Vilmorin met seven times. Moreover, for the purpose of the offices they hold in the subsidiary companies of Vilmorin, the Members of the Board took part in 33 meetings during the course of the fiscal year 2005-2006. The overall attendance rate of the members of the Board for all companies in the group was 87%.

The main topics discussed by the Board of Directors during the past fiscal year dealt with:

- > an analysis and approval of the orientations presented for the medium-term plan,
- > the redefinition of the strategic orientations and organization of the Home Garden activity,
- > confirmation of the objectives of the Professional activity both in terms of international development and research investments,
- > approval of the budget for the fiscal year 2006-2007,
- > closing of the half-yearly and annual corporate and consolidated financial statements.

■ Vilmorin's Board of Directors within Limagrain

Today, all the directors on the Board of Vilmorin are from Limagrain. These directors are exclusively dedicated to Vilmorin 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 are always dealt with first of all at Board meetings of Vilmorin. 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 before the presentation to the Group Steering Committee of Limagrain. Vilmorin'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.

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

Vilmorin belongs, for the most part, to the seeds Group, Limagrain which has encouraged its development by providing regular and consistent investment support.

In its core activity of seed, Groupe Limagrain is the fourth 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 cereals 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 686 cooperative members on June 30th 2006.

Vilmorin and Limagrain cooperate through the notion of shared resources. Thus, Vilmorin 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 coincide with those of investors: investing in a profitable company with the long-lasting guarantee of a high dividend.

General Management

The general Management of Vilmorin is the responsibility of M. Gérard RENARD, Chairman, and M. Daniel CHÉRON, CEO and company Director.

Executive Committee

The Executive Committee for Vilmorin is chaired by M. Daniel CHÉRON and comprises:

M. Stanislas CROUZIER, VP for the Professional activity;
M. Daniel JACQUEMOND, Chief Financial Officer;
M. Emmanuel ROUGIER, VP for Development and Management.

Management of the Home Garden business is entrusted jointly to M. Daniel JACQUEMOND and M. Emmanuel ROUGIER.

The Executive Committee meets every month. Its vocation is:

- > to define the strategic orientations of Vilmorin, and to submit them to the Board of Directors, and then to follow their implementation,

- > to arbitrate on budgetary proposals from the different business units and check regularly that budgetary decisions are respected,

- > to analyze any opportunities for external growth, partnerships or divestments, to submit them to the Board, and then to make sure they are properly finalized,

- > to define the main rules and operating procedures for the group,

- > to establish projects to close the half-yearly and annual consolidated and corporate accounts.

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. 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. Daniel CHÉRON is also a salaried member of the staff of Groupe Limagrain Holding, the main shareholder of Vilmorin, and thus it should be noted that the proportion of gross remuneration paid for the functions he held specifically for Vilmorin, amounted to 125.1 thousand euros in 2005-2006.

■ Remuneration of members of the management bodies

In 2005-2006, the sum of payments made to members of the Management bodies, including income in kind, amounted to 2.9 million euros. These Management bodies concern the Managers on the Executive Committee of Vilmorin and the General Managers of the following operating companies: Vilmorin SA, Clause Tézier, Nickerson Zwaan, Harris Moran, Hazera Genetics, Kyowa Seed, Oxadis, Flora Frey, CNOS Vilmorin, Suttons, Top Green making fifteen people altogether.

Conflicts of interest

To the knowledge of the company, no pact or agreement has been signed with the shareholders, customers, suppliers or any other category to which any one of the members of the Board of Directors or any one of the members of the management is party.

To the knowledge of the company, there is no potential conflict of interest between the duties held by the Board of Directors and other members of the management with regard to the company and their private or personal interests.

To the knowledge of the company, no restriction has been accepted by the members of the Board of Directors and the other members of the management concerning the sale of their stake in the company's stock.

To the knowledge of the company, no sentence has been pronounced with regard to any of the company's mandatories which might have, or has had recently, any significant effect on his or her financial situation.

Control bodies

Date of expiry of term of office	
Incumbent Statutory Auditors	
KPMG AUDIT Département de KPMG SA 1, cours Valmy F - 92923 Paris la Défense Cedex represented by Mme Catherine PORTA Date appointed: 2002	2008 (AGM for the accounts of the fiscal year closing on 06.30.08)
VISAS 4 Commissariat 56, boulevard Gustave Flaubert F - 63010 Clermont-Ferrand represented by M. Claude AUBERT Date appointed: 2005	2011 (AGM for the accounts of the fiscal year closing on 06.30.11)
Substitute Statutory Auditors	
M. Jean-Luc DECORNOY 2 bis, rue de Villiers F - 92300 Levallois-Perret Date appointed: 2002	2008 (AGM for the accounts of the fiscal year closing on 06.30.08)
M. Olivier DELARUE 56, boulevard Gustave Flaubert F - 63010 Clermont-Ferrand Date appointed: 2005	2011 (AGM for the accounts of the fiscal year closing on 06.30.11)

Relations with the shareholders and investors

■ Contacts

For any information or documentation:

Finance Department Vilmorin

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

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

E-mail: contact@vilmorin.info

Relations with shareholders and investors, financial analysts and the specialist financial and economic press:

M. Daniel JACQUEMOND,
Chief Financial Officer,

Mme Claire PLANCHE,
Financial Communication Officer.

Vilmorin's commitments towards its shareholders

> Resolve to give clear information: website, publications of financial information in French and in English, meetings with analysts, shareholders and investors, replies to individual requests for information, etc.

Vilmorin 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.

> Distributing dividends that are in direct relationship with its results. This practice is a basic component of Vilmorin's financial policy.

■ Informative meetings

Informative meetings (financial analysts, investors, financial press) are held every year to present the yearly and half-yearly financial statements or any significant event.

During fiscal 2005-2006, they were held in October and in April; the information presented in these meetings is also published on the company website.

■ Scheduled agenda for 2006-2007

(subject to modifications)

11.13.06	Publication of sales for the first quarter
11.17.06 and 11.18.06	Actionaria Fair at the Palais des Congrès de Paris
12.12.06	Annual General Meeting
12.20.06	Payment of the dividend
02.08.07	Publication of the half-yearly sales
04.11.07	Publication of the half-yearly results
05.14.07	Publication of sales at the end of the third quarter
08.07.07	Publication of sales for the year



Actionaria Fair 2005.
Daniel Chéron interviewed at the Presidents' Agora



■ Documentation

- > Annual report in French, translated into English.
- > Report on the half-yearly financial statements on December 31st.
- > Letter to the shareholders sent out twice a year.

■ Website

www.vilmorin.info (in English and in French): news, general presentation of the company, annual reports, press releases, a real time update of the evolution of the share value quoted on the Paris stock exchange, etc.

Any financial information and reports released by Vilmorin are also published on the information website for the French Financial Markets Authority (Autorité des marchés financiers), www.amf-france.org.

■ Financial analysts that follow the share value

Oddo Midcap, Crédit Agricole Cheuvreux, Exane BNP Paribas, Gilbert Dupont, Société Générale Securities, Natexis Bleichroeder, KBC Securities, CIC Securities, Fideuram Wargny.

From Vilmorin Clause & Cie to **Vilmorin**

Vilmorin will continue to honor its commitments towards its shareholders with constant transparency and a sustained policy of dividends that are directly linked to its results.

As far as the shareholder spread is concerned, Limagrain will ultimately dilute its participation in the new group.



Developing individual investment in shares

- > Vilmorin is eager to maintain a good balance between its shareholder categories.

In order to strengthen its ties and communication with individual shareholders, in March 2005 Vilmorin joined the FFCI (French Federation of Investment Clubs), as an associate member.



This membership was announced in the Federation magazine and a meeting of shareholders was attended in Paris. These measures will be renewed during the course of the year 2007.

www.clubinvestissement.com

- > Furthermore, in November 2005 Vilmorin participated for the first time in the Actionaria fair. This participation was very fruitful in terms of exchanges and contacts, and Vilmorin will be present again in 2006 with a larger stand and an informative meeting to present its activities and strategy.

Vilmorin's shares

■ Main characteristics of the shares

Vilmorin's shares were introduced on November 3rd 1993 to the Second Market of the Paris stock exchange, now known as Eurolist by 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 FP for Bloomberg, VILM.PA for Reuters.

Vilmorin is part of the stock indices CAC Mid 100 and SBF 250.

Since January 2nd 2006, Vilmorin's shares have been listed according to the ICB nomenclature in the sector "Farming & Fishing".

■ Management and liquidity of the shares

On January 3rd 2006 Vilmorin signed an ongoing liquidity acquisition contract with Oddo Midcap in order to run the market for its securities.

This contract is renewed every year by tacit agreement and complies with the AFEI (Association Française des Entreprises d'Investissement) deontology charter, certified by the Autorité des Marchés Financiers on March 22nd 2005.

In order to implement this contract, the following resources were allocated by Vilmorin to the liquidity account:

- > number of shares: 3 059 at a nominal value of 45.75 euros,
- > cash: 597.54 euros.

On June 30th 2006, the following resources appeared in the liquidity account:

- > 6 102 shares,
- > 182 855.34 euros in cash.

■ Evolution of the price of the shares

	03-04	04-05	05-06 (1)
Daily average of transactions			
in number of shares	1 619	1 428	4 306
in thousands of euros	164.59	205.95	243.79
Maxima and minima			
highest rate in euros	143.00	164.90	67.00
lowest rate in euros	82.50	127.00	44.17
Closing rate of the fiscal year in euros			
	139.80	138.00	59.50
Net yield per share % (2)			
	4.52	3.29	1.17

(1) Division by three of the nominal value of the shares as of January 1st 2006.

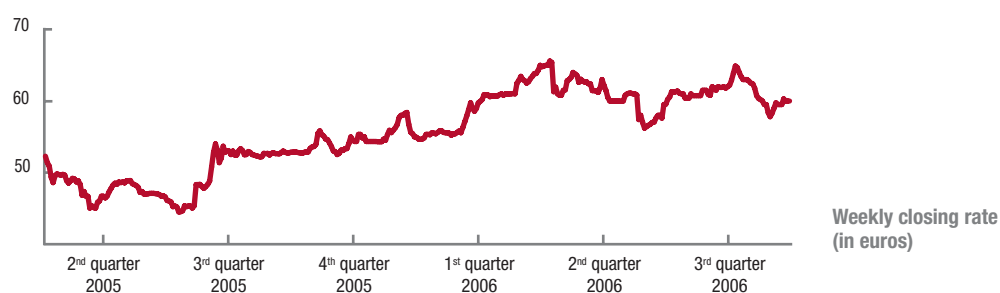
(2) Net dividend distributed in year N, in proportion to the final rate for year N-1 (Source: Euronext ParisBourse).

■ Quantities exchanged and evolution of values over the last 18 months

Year	Month	Number of shares exchanged	Stock exchanged M€	Highest recorded rate €	Lowest recorded rate €
2005	April	71 270	10.381	159.20	139.10
	May	30 315	4.265	148.80	132.10
	June	29 676	4.193	147.10	138.00
	July	44 689	6.203	146.50	132.50
	August	18 856	2.987	162.00	150.00
	September	15 251	2.407	159.00	155.20
	October	37 732	6.081	168.00	157.10
	November	28 431	4.597	166.00	157.40
	December	17 380	2.941	176.00	162.00
2006	January	38 791	2.154	57.00	54.00 (1)
	February	68 697	4.095	61.20	56.20 (1)
	March	70 516	4.426	65.00	60.50 (1)
	April	262 585	16.181	67.00	59.50 (1)
	May	62 808	3.852	63.55	59.20 (1)
	June	116 114	6.729	61.90	55.80 (1)
	July	109 789	6.681	62.10	59.50 (1)
	August	41 699	2.613	65.40	60.60 (1)
	September	105 469	6.301	63.80	57.00 (1)

(1) Division by three of the nominal value of the shares as of January 1st 2006.
(Source: Euronext ParisBourse).

■ Evolution of the Vilmorin & Cie rate over the past 18 months



■ Evolution of the rate

Evolution since July 1 st 2005	+ 30.80%
Evolution since January 1 st 2006	+ 9.75%

(Source: Euronext ParisBourse).

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

The Joint Annual Meeting of December 13th 2005, deliberating on the provisions of articles 241-1 to 241-8 of the General Regulations of the Autorité des marchés financiers and European Regulation n° 2273/2003, which came into force on October 13th 2004, granted the Board of Directors the powers to intervene by purchasing or selling its own shares on the stock market at a maximum price of 250 euros per share, with the number of shares thus acquired being limited to a ceiling of 315 000 shares, representing a maximum potential commitment of 75 millions euros.

This purchasing program is authorized for a maximum period of 12 months.

(Prospectus of January 12th 2006, registered with the AMF).

During the fiscal year ending June 30th 2006, the company conducted, either directly or indirectly, the following operations:

- > number of shares purchased = 37 706,
- > average purchasing price = 60,14 euros,
- > number of shares sold = 40 781,
- > average selling price = 60,01 euros,
- > number of shares held internally on June 30th 2005: 6 102 corresponding to 0.06% of the stock, at a purchasing value of 357 804 euros, which is an average unit price of 58.64 euros.

It is proposed to the Annual General Meeting of December 12th 2006 to authorize the Board of Directors to intervene indirectly on the stock market on the company's shares through a liquidity contract signed with an investment service company within the limits of a maximum purchasing price of 85 euros per share.

■ Dividends over the last five fiscal years and distribution policy

	01-02	02-03	03-04	04-05	05-06
Number of shares receiving dividend	3 184 453	3 187 703	3 172 957	3 185 934	13 391 857 (1)
Net dividend (euros)	3.150	3.80	4.60	4.85	1.62
Tax credit (euros)	1.575	1.90	2.30	-	-
Gross revenue (euros)	4.725	5.70	6.90	-	-

(1) 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 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 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.

Non-residents in France: shares held by non-residents in France 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.

The dividend Questions and answers

(based on article 38 of the bylaws)

> How is the dividend determined from the profits?

The dividend is determined according to rules generally applied, after paying into a legal reserve fund and after deduction of any losses carried forward from previous years if appropriate. This topic is dealt with in detail in article 38 of the bylaws.

> What are the rules concerning payment of the dividend?

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.

The stock and the shareholders

■ Stock

Following the division by 3 of the nominal value of the shares as authorized by the Annual General Meeting of December 13th 2005, the authorized stock on June 30th 2006 was 145 896 429.75 euros, divided into 9 566 979 nominally fully paid up shares at 15.25.

To the knowledge of Vilmorin, 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 rights.

> Notifications of crossing the threshold: during the fiscal year 2005-2006, there was no declaration that the threshold laid down in the bylaws (3%) had been crossed either up or down.

> 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 had been made.

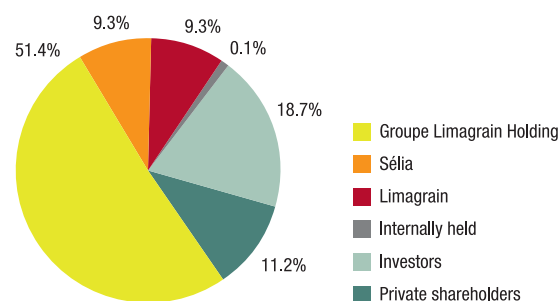
> Shares non-representative of the stock: none.

> Stock options: none.

■ Breakdown of the stock and voting rights (on June 30th 2006)

	One share one vote	One share two votes	% of stock	Total number of votes	% of the total number of votes
Groupe Limagrain Holding	312	4 913 988	51.37	9 828 288	60.44
Limagrain	-	891 603	9.32	1 783 206	10.97
Sélia	-	892 503	9.33	1 785 006	10.98
Shares held internally	6 102 (1)	-	0.06	-	-
Public	2 860 104	2 367	29.92	2 864 838	17.61
Total	2 866 518	6 700 461	100.00	16 261 338	100.00

(1) No voting rights.



Breakdown of the stock on June 30th 2006
(Source Euroclear and internal source)

A few questions concerning the shareholders

(article 12 of the bylaws)

> Are there any special rules applied beyond a threshold of stock held?

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 22nd 1993).

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

> Can Vilmorin request identification of shareholders?

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.

■ 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 F	250 000 F	2 500
06.29.93	3 820 000 shares issued to pay for a partial contribution of assets from Groupe Limagrain Holding	100 F	382 250 000 F	3 822 500
06.29.93	Equivalent of 1 817 500 shares issued in cash reserved for Groupe Limagrain Holding	100 F	564 000 000 F	5 640 000
10.04.93	Transfer of shares at nominal price of 100 F to shares at 300 F	300 F	564 000 000 F	1 880 000
12.17.93	166 700 shares issued Reserved for Crédit Lyonnais	300 F + Premium of 6 F	614 010 000 F	2 046 700
11.26.96	921 015 shares issued with stock warrants	300 F + Premium of 170 F	890 314 500 F	2 967 715
11.96 - 06.30.97	177 warrants exchanged corresponding to 59 shares	300 F + Premium of 180 F	890 332 200 F	2 967 774
07.97 - 06.30.98	93 warrants exchanged corresponding to 31 shares	300 F + Premium of 180 F	890 341 500 F	2 967 805
07.98 - 06.30.99	927 warrants exchanged corresponding to 309 shares	300 F + Premium of 180 F	890 434 200 F	2 968 114
07.99 - 06.30.00	336 warrants exchanged corresponding to 112 shares	300 F + Premium of 180 F	890 467 800 F	2 968 226
07.00 - 06.30.01	662 301 warrants exchanged corresponding to 220 767 shares Conversion of the nominal unit value to 45.75 € using part of the legal reserves of 319 944 F	300 F + Premium of 180 F -	956 697 900 F 145 896 429.75 €	3 188 993 3 188 993
01.18.06	Division by 3 of the nominal unit value of the share from 45.75 € à 15.25 €	15.25 €	No modification	9 566 979
07.03.06	3 824 878 shares issued to remunerate a partial contribution made by the company Limagrain Agro-Industrie	15.25 €	204 225 819.25 €	13 391 857

■ Modifications in the stock breakdown over the past three fiscal years

There has been no significant modification in the breakdown of the capital during the past three fiscal years.

	06.30.04			06.30.05			06.30.06		
	Number of shares	% of stock	Voting rights	Number of shares	% of stock	Voting rights	Number of shares	% of stock	Voting rights
Groupe									
Limagrain Holding	1 639 840	51.42	59.46	1 653 693	51.86	59.77	4 914 300	51.37	60.44
Limagrain	297 201	9.32	11.30	297 201	9.32	11.24	891 603	9.32	10.97
Sélia	297 501	9.33	11.32	297 501	9.33	11.25	892 503	9.33	10.98
Shares held internally	13 014	0.41	-	3 059	0.10	-	6 102	0.06	-
Public and various	941 437	29.52	17.92	937 539	29.39	17.74	2 862 471	29.92	17.61
Total	3 188 993	100.00	100.00	3 188 993	100.00	100.00	9 566 979	100.00	100.00

■ Financial authorizations granted by the Joint General Meeting of December 13th 2005

In order to provide Vilmorin with the necessary means to ensure its future development, particularly internationally, the Joint General Meeting of December 13th 2005 authorized the Board of Directors to issue, with a maximum nominal value of 75 million euros:

> Bonds or any other assimilated debt security, in one or several operations, 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 9th 2007.

On the date of October 23rd 2006, these authorizations had not been used by the Board of Directors.

The Board of Directors will request partial renewal of these authorizations at the Joint General Meeting of December 12th 2006 (6th resolution).

■ Management of shares and pure nominative accounts

CACEIS Corporate Trust (Crédit Agricole Caisse d'Épargne Investor Services) - 14, rue Rouget de L'isle - F-92862 Issy les Moulineaux - Cedex 09 - Tel.: + 33 (0)1 57 78 34 44 - Email: actionnariat.ge@caceis.com

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Legal information

■ Name, head office and administrative offices

Name:

Vilmorin & Cie.

Head Office:

4 quai de la Mégisserie - 75001 Paris - France.

Administrative offices:

BP 1 - 63720 Chappes - France.

■ Jurisdiction

French jurisdiction.

■ Legal status

Vilmorin & 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 2nd 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 bylaws in compliance with the French law of January 15th 2001 governing new economic regulations (EGM December 3rd 2002).

Modification of name to Vilmorin & Cie (EGM July 3rd 2006).

The life of the Company will expire on March 2nd 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 bylaws, the object of Vilmorin & 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 1st until June 30th of the following year.

■ Place where documents concerning the company may be consulted

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

■ All litigation to be referred to

Tribunal de Commerce de Paris.

Information on the subsidiaries

Name	Country	Head Office	N° SIREN
American Bio Corporation (ABC)	United States	C/o Piper & Marbury – 1251 av. of the Americas – New York 10020-1104 (New York)	
Cylonie	Luxembourg	19 rue de Bitbourg – L 1273 Luxembourg Hamm	
Groupe Limagrain Luxembourg	Luxembourg	11 avenue Émile Reuter – L 2420 Luxembourg	
Vilmorin & Cie	France	4 quai de la Mégisserie – F-75001 Paris	377 913 728
Professional			
Alliance Semillas	Chile	Hendaya 27 Oficina 201 – Las Condas – Santiago	
Alliance Semillas de Argentina	Argentina	Cespedes 3881 – 1427 Buenos Aires	
Anadolu	Turkey	Güzelyali, Bati Sahili, Ciftlik Sok. No 9 – 81720 Pendik Istanbul	
BioSeeds	Netherlands	Agro Business Park 90 – 6700 Wageningen	
Clause Harris Moran Tézier (CHMT)	South Africa	PO Box 15890 – Panorama 7506	
Clause Tézier	France	Rue Louis Saillant – F-26800 Portes lès Valence	435 480 546
Clause Tézier do Brazil	Brazil	Rua Miguel Penteado nº1038, Jardim Chapadao, Campinas – SP – Brazil – CEP : 13070 - 118	
Clause Tézier Iberica	Spain	Ctra de la Cassada, Pla del Pau, km 11,5 – 46960 Paterna (Valencia)	
Clause Tézier India	India	6-1-20/2, Walker town – 500 025 New Bhoiguda, Secundrabad	
Clause Tézier Italia	Italy	Strada de la Madonnina – 13, Venaria Reale (Torino)	
Clause Tézier Australia	Australia	Unit 27/148 Chesterville Road – Moorabbin – Victoria 3189	
Harris Moran Seeds	United States	555, Codoni Avenue – Modesto, 95352 (California)	
Asamia Cold Storage Ltd	Israel	DN Shikmim – Brurim	
Biotech Mah Management	Israel	DN Shikmim – Brurim	
Hazera Canarias	Spain	Avenida Santa Cruz 182 – San Isidro Granadilla – 386110 Santa Cruz de Tenerife	
Hazera Espana	Spain	Pol. Ind. “La Redonda” 04710 El Ejido Almeria – Espana	
Hazera Genetics Ltd	Israel	Brurim M.P. Shikmim – 79837 Israel	
Hazera Holding International BV	Netherlands	C/o MeesPierson Intertrust at Rokin 55, 1012 KK Amsterdam	
Hazera Mauritius Ltd	Mauritius	C/o Abacus Financia Services (Mauritius) Limited, TM Building, Pope Hennessy ST. Port Luis	
Hazera Seeds Inc	United States	2255 Glades road – suite 123 A – Boca Raton, 33 431 (Florida)	
Hazera Tohumculuk ve Ticaret AS	Turkey	Yesilbahçe Mah. Metin Kasapoglu Cad. Gencilik Mahallesi. Fevzi Cakmak Cad. 2. Mahmut Cil Apt. No:75 D:7 Antalya – Turkiye	
Henderson Seeds JV	Australia	165, Templostowe Road – Lower Templestowe – 3105 Victoria	
Kyowa Seed	Japan	15-13 Nanpeidai – Shibuya-Ku Tokyo 150-0036	
Marco Polo Seed Nusantara	Indonesia	Ruko Bumi Prayudan Permai Block B-6, Metroyudan, Magelang 56172	
Marco Polo Seed Thailand	Thailand	11th floor, Panjabhum Building – 127 South Sathorn Rd, Tungmahamek – 10120 Sathorn Bangkok	
Mikado Seed Growers	Japan	1203 Hoshiguki-Cho, Chuo-Ku Chiba-Shi	
Mikado Seed Holding	Japan	1203 Hoshiguki-Cho, Chuo-Ku Chiba-Shi	

Name	Consolidation method	Equity before results (1)	Permanent headcount on 06.30.06	% financial control	Book value of shares (1)		Sales of goods (2)	Net income of the fiscal year (2)
					Gross	Net		
American Bio Corporation (ABC)	IG	32 597	0	100	37 152	37 152	-	10 190
Cylonie	IP	10 700	0	50	11 001	11 001	-	- 1 098
Groupe Limagrain Luxembourg	IP	10 998	0	50	11 024	11 024	-	- 9
Vilmorin & Cie	IG	197 837	12	Mère	-	-	-	22 888
Professional								
Alliance Semillas	IG	1 233	16	48.12	475	475	2 383	185
Alliance Semillas de Argentina	IG	84	12	94.35	810	810	1 472	116
Anadolu	EQ	5 970	0	44.77	149	149	-	2 540
BioSeeds	EQ	12 463	0	20	1 094	1 094	-	2 149
Clause Harris Moran Tézier (CHMT)	IG	144	1	92.46	113	113	435	20
Clause Tézier	IG	43 605	427	99.97	50 195	50 195	93 110	21 029
Clause Tézier do Brazil	IG	427	13	99.97	36	36	6 687	1 745
Clause Tézier Iberica	IG	4 192	54	99.97	1 532	1 532	20 105	1 388
Clause Tézier India	IG	- 25	36	99.97	10	10	1 770	60
Clause Tézier Italia	IG	2 202	32	99.97	1 438	1 438	16 386	818
Clause Tézier Australia	IG	225	5	99.97	85	85	1 685	83
Harris Moran Seeds	IG	47 230	257	94.35	30 925	30 925	58 329	- 1 876
Asamia Cold Storage Ltd	IG	26	0	54.74	1	1	0	0
Biotech Mah Management	IP	- 5	0	27.37	0	0	-	5
Hazera Canarias	IG	8	0	54.74	30	30	-	- 8
Hazera Espana	IG	533	12	54.74	690	690	5 638	434
Hazera Genetics Ltd	IG	59 794	269	54.74	49 636	49 636	46 428	8 807
Hazera Holding International BV	IG	1 991	0	54.74	16	16	-	338
Hazera Mauritius Ltd	IG	7	10	54.74	0	0	-	- 5
Hazera Seeds Inc	IG	345	7	54.74	0	0	7 721	41
Hazera Tohumculuk ve Ticaret AS	IG	35	8	54.74	28	28	159	12
Henderson Seeds JV	IG	2 767	23	61.08	2 528	2 528	2 654	- 5
Kyowa Seed	IG	8 837	86	59.03	10 533	9 199	47 294	1 034
Marco Polo Seed Nusantara	IG	156	20	90	272	147	542	6
Marco Polo Seed Thailand	IG	1 725	27	100	2 070	1 678	127	- 311
Mikado Seed Growers	IG	1 702	62	54.29	1 695	1 695	2 145	- 83
Mikado Seed Holding	IG	1 695	0	54.29	2 607	2 607	-	- 12

Data expressed in thousands of euros.

(1) Data converted at closing rate on June 30th 2006.

(2) Data converted at average rates for fiscal 2005-2006.

Information concerning the subsidiaries

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Name	Country	Head Office	N° SIREN
Nickerson Zwaan BV	Netherlands	Schanseind 27 – 4921 PM Made	
Nickerson Zwaan GmbH	Germany	Am Griewenkamp 2 – 31234 Edemissen	
Nickerson Zwaan India	India	No 312 Opp L&T Batarayanpura 167 B.B. Road – 560 095 Bangalore	
Nickerson Zwaan Ltd	United Kingdom	Joseph Nickerson Research Centre – Rothwell Lincoln LN7 6DT	
Nickerson Zwaan Sp. Zo.o.	Poland	UL. Gersona 8 – 03307 Warsaw	
Plant Development Australia	Australia	C/o Research School of Biological Sciences – The Australian National University Biology Place – Building 46, 2nd floor ACT 2601 Canberra	
Semillas Harris Moran	Mexico	Av. Zaragoza 2080 local 4 – Col. Nueva – 21100 Mexicali, BC Mexico CP	
VCC Japan	Japan	15-13 Nanpeidai – Shibuya-Ku Tokyo 150-0036	
VCC Seeds Ltd	Israel	C/o Schwartz, Duvdevany, Lerner – CPA – 76 Herzl Street – Haifa	
Vilmorin	France	Route du Manoir – F-49250 La Ménitrie	562 050 864
Vilmorin Iberica	Spain	Calle Joaquim Orosco 17 – 03006 Alicante	
Vilmorin Inc	United States	2551 North Dragoon 131 – Tucson, 85745 AZ	
Vilmorin Italia	Italy	Center Gross CP 97 – Blocco 22 – Via dei Notai 123 – 40050 Funo	
Home Garden			
CH Van den Berg BV	Netherlands	Pob 4 - Nijverheidsweg 1 & 8 A – 1693 ZG Wervershoof	
Carl Sperling & Co	Germany	Hamburger Strasse 35 – 21316 Lüneburg	
CNOS Vilmorin Sp. Zo.o.	Poland	Ul. Kopanina 28/32 – 60 951 Poznan	
Flora Frey GmbH	Germany	Dellenfeld 25 – 42653 Solingen	
Flora Geissler	Switzerland	Müliwisstrasse 212 – 5467 Fisibach	
Oxadis	France	65, rue de Luzais – BP 37 – F-38291 Saint Quentin Fallavier Cedex	959 503 111
Oxadis Srl	Italy	Via dei Cappucini n°4/b – 26100 Cremona	
Sperling GmbH	Germany	Postfach 2640 – 21316 Lüneburg	
Suttons	United Kingdom	Woodview Road – Paignton – Devon – TQ4 7NG	
Top Green	France	ZA Les Pains – F-49320 Les Alleuds	432 004 679

Name	Consolidation method	Equity before results (1)	Permanent headcount on 06.30.06	% financial control	Book value of shares (1)		Sales of goods (2)	Net income of the fiscal year (2)
					Gross	Net		
Nickerson Zwaan BV	IG	14 148	154	94.3	16 256	16 256	20 951	2 853
Nickerson Zwaan GmbH	IG	604	17	94.3	127	127	5 392	268
Nickerson Zwaan India	IG	- 24	13	94.3	4	4	318	21
Nickerson Zwaan Ltd	IG	1 982	19	94.3	243	243	8 608	304
Nickerson Zwaan Sp. Zo.o.	IG	914	8	94.3	64	64	2 101	255
Plant Development Australia	IG	2 847	0	100	2 276	2 276	-	120
Semillas Harris Moran	IG	545	25	94.35	0	0	14 297	391
VCC Japan	IG	412	0	100	424	424	-	- 30
VCC Seeds Ltd	IG	- 238	1	100	0	0	-	- 331
Vilmorin	IG	63 185	354	94.3	49 359	49 359	53 758	9 677
Vilmorin Iberica	IG	783	24	94.1	711	711	5 920	554
Vilmorin Inc	IG	1 816	13	100	1 403	1 403	3 882	103
Vilmorin Italia	IG	67	16	94.36	64	64	8 802	699
Home Garden								
CH Van den Berg BV	IG	100	17	79.99	218	218	7 807	7
Carl Sperling & Co	IG	566	18	93.83	2 434	2 434	4 517	- 883
CNOS Vilmorin Sp. Zo.o.	IG	1 126	48	47.85	890	890	3 140	4
Flora Frey GmbH	IG	- 3 301	112	93.83	11 669	0	12 550	- 58
Flora Geissler	IG	342	9	99.99	346	346	1 951	- 350
Oxadis	IG	7 152	406	99.99	7 775	7 775	92 216	2 907
Oxadis Srl	IG	165	0	98.99	11	11	2 117	0
Sperling GmbH	IG	95	0	93.83	80	80	-	- 10
Suttons	IG	1 609	157	100	5 445	5 445	24 102	574
Top Green	IP	2 821	12	50	1 000	1 000	15 266	276

Data expressed in thousands of euros.

(1) Data converted at closing rate on June 30th 2006.

(2) Data converted at average rates for fiscal 2005-2006.

Chairman's report on the functioning of the Board of Directors and on internal control

Under the responsibility of the Board of Directors, it is the role of the General Management to define and implement adequate and efficient internal control procedures. In application of article L225-37 of the French Commercial Code, it is my responsibility, as Chairman of the Board of Directors, to report on:

- > the conditions for preparing and organizing the work of the Board of Directors,
- > internal control procedures, and in particular for this fiscal year, the finalization of transition to IFRS accounting standards,
- > where relevant, the limitations that the Board of Directors applies to the powers granted to the CEO and his representative on the staff.

Conditions for preparing and organizing the work of the Board of Directors

Vilmorin & Cie directly holds the majority of the companies in the consolidation scope of its accounts.

The role of the Board of Directors consists primarily in ensuring optimization of the management of all the operating structures. For this purpose, it is more particularly required to define the global strategy of the group, check that the policies adopted are coherent, and insure that the main risks have been identified and adequately dealt with.

In order to attain these objectives, the Directors of Vilmorin & Cie have full responsibility in Board Meetings or any equivalent meetings in its main subsidiaries. Moreover, strategic decisions are regularly prepared and discussed by the members of the Board of Directors and the operational Vice-Presidents.

The Board of Directors comprises seven members.

During the course of the fiscal year 2005-2006, your Board of Directors met seven times, following a work schedule that is established on an annual basis. The attendance rate of its members was 100%.

Your Board of Directors closed the corporate accounts and the consolidated accounts of Vilmorin & Cie and the associated reports during its meeting of October 6th 2006.

Procedures for internal control

■ Objectives of the internal control

The main objectives of Vilmorin & Cie concerning internal control are to use all appropriate means to insure that the policies followed in the group's different companies are coherent, and that the procedures adopted to apply them are respected. In particular, these measures should make it possible to:

- > insure that management policies are respected and that operations are seen through,
- > prevent and control any risks that result from the company's business and similarly any risks of error or fraud. However, as with any control system, it cannot insure total guarantee that these risk are totally eliminated,
- > check that the accounting, financial and management information supplied to the corporate bodies are a sincere reflection of the company's business and situation.
- > insure that the accounting and financial information given to the shareholders is appropriate and respects regulations and legislation.

■ Analysis of the main risks

Vilmorin & Cie's business covers different sectors of activity, both in the Professional and Home Garden markets, which means that there are various risks caused by the highly seasonal nature of its business, a relative dependence on the whims of the weather, and the importance of the high tech products and processes used. Suitable solutions are implemented to insure that these risks are reasonably controlled.

Risks with regard to production

Controlling such risks is essential to insure the appropriate supply of markets, and also adequate inventory management.

In particular, this is a major concern that is taken into account when the production plans are laid down, involving all those concerned in each of the companies. Its implementation involves several different parameters, such as the life span of the products, the state of previous harvests, the potential impact of weather conditions or the agronomic value of the products.

Risks with regard to the climate

Meteorological uncertainty may have an effect on both the Professional and Home Garden businesses.

For the Professional Division, the diversified and internationally spread production networks mean that this risk can be covered better and that regular, high quality seed production can be insured.

With regard to the Home Garden Division, the diversification of the product line-ups means that, to a large extent, the consequences of a year with poor weather can be attenuated by proposing different products that are not dependent on seasons.

Risks with regard to products and processes

The products sold by the subsidiaries of Vilmorin & Cie are intended either for a professional clientele or a consumer clientele for gardening products.

In both cases, any product non-conformance may have severe financial consequences, often extending far beyond the sales price of the products. Such consequences may well be amplified by the multiplying effect of all agricultural production, by the wide distribution of Home Garden products, or by the complexity of the regulations applicable to different aspects (products, environment, etc.).

As far as the processes and production tools go, the subsidiaries of Vilmorin & Cie are concerned in many respects: fire risks, legally controlled product treatment, approved installations, environmental risks, information technology security, etc.

Faced with these different issues, the group has set up a number of processes:

- > scrupulous respect for any applicable regulations,
- > rigorous quality control procedures,
- > the introduction of specialized teams to deal with crisis situations,
- > the development of a prevention policy to provide greater safety for persons and equipment.

Risks inherent in research

For Vilmorin & Cie, maintaining and developing original, quality research programs is the best possible guarantee for its future prosperity.

On top of the risks linked to the physical protection of its specialized facilities, germplasm and know-how, Vilmorin & Cie needs to insure at all times that its programs have a reasonable chance of succeeding.

The means adopted to reach these objectives above all involve:

- > making sure the facilities, germplasm and know-how are all physically secure (fencing, access restriction, duplication of resources, etc.),
- > the protection of secrets and know-how,
- > a suitable intellectual protection policy,
- > regular consultation to ensure that strategic orientations are pertinent when compared with the competition, market needs and scientific evolution.

Risks regarding clientele

Vilmorin & Cie is not globally confronted with an excessive concentration of its clientele, with the risk of a brutal drop in business, particularly since the relative reduction of its Home Garden activities as a proportion of its total business. Moreover debt recovery risks are moderate.

Vilmorin & Cie's subsidiaries are all capable of dealing with this question, providing solutions adapted to their own circumstances.

Financial risks

Bearing in mind the size of Vilmorin & Cie and its international dimension, procedures have been set up in order to better identify and control financial risks.

For this reason Vilmorin & Cie works in conjunction with its majority shareholder Limagrain, to manage its financial requirements through:

- > the search for diversified and suitable financial resources,
- > a mutual management procedure to deal with currency translation risks,
- > specialized cash-flow and interest rate risk management tools (cash-flow agreements, forward cover).

Insurance

Vilmorin & Cie has insurance policies that provide broad cover of the risks facing its different subsidiaries, with a view to protecting their assets and responsibility. This cover is provided through several group policies that apply to most of the subsidiaries in the following areas:

> 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 & 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, proprietary variety certificates, infringement risks, etc.). To deal with this evolution, Vilmorin & Cie has set up a policy in conjunction with Limagrain intended to perfect the cover of specific risks in terms of contractual liability and actions for infringement, whether this involves brands, patents or proprietary variety certificates. The policy is valid for five years as from July 1st 2002. The capital insured amounts to 43 million dollars for the aggregate of all claims over this period; to date, the amount already used stands at 18 million dollars.

> Third party liability for the corporate representatives.

A specific policy 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 de jure or actual managers of any subsidiary in which Vilmorin & 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.

■ General organization of the internal control procedures

In its role as a holding structure, the company Vilmorin & Cie is central to the management of internal control. Apart from making sure the general policies are coherent, it exercises the functions of management, advice and control for its subsidiaries. In order to do so it works closely with Limagrain's internal audit and financial control department.

Within this general framework, the subsidiaries define and implement operational procedures that are suited to their own specific situations.

Management rules, function definitions and company and group procedures are all part of the reference system used to implement and apply internal control rules.

Systems involving the delegation of powers are generally set up by the Board of Directors in each company.

■ Procedures used to produce financial and accounting information

The production of financial and accounting information comes within an overall procedure that involves several phases:

> The medium-term plan.

A medium-term plan is the working reference that describes the main strategic orientations, and is set out in each of the operating structures. It is updated every year, confirmed at the level of Vilmorin & Cie, and consolidated in accordance with a formal process.

> The short-term financial budget.

A short-term financial budget is set out every year by each subsidiary during the first semester with detailed operations. This is also confirmed by the Vilmorin & Cie and consolidated in accordance with a formal process.

This budget is updated as a forecast at least once over the course of the fiscal year.

> Monthly reporting.

Each company produces monthly performance indicators adapted to its business. These are compared to the budget, and any differences are analyzed to detect any significant discrepancies or measures needed to get back on target. Data from reporting is also compared with the general accounts.

Such monitoring generally concerns business (sales and margins) and the results, evolution of the headcount, cash-flow and funding, and the investment plan.

The main indicators of this reporting are also consolidated every month in accordance with a formalized process.

> The half-yearly and yearly financial statements.

Preparation of the half-yearly and yearly financial statements comes under the responsibility of the financial departments and general management of each subsidiary.

Procedures are defined locally to match the business of the different companies, but must respect a general schedule defined by Vilmorin & Cie.

Any significant decisions that need to be taken when the financial statements are established are confirmed by the company before being definitively adopted by the respective Boards of Directors.

Consolidation operations are carried out using a set of tables filled in by each company in compliance with procedures and a specific schedule.

■ Information on the adoption of the new international accounting standards (IFRS)

Transition towards the IFRS standards is part of a working program set up over several years by Vilmorin & Cie in the second half of 2003, and which was finalized by the publication of a transition note and the disclosure of the half-yearly financial statements for December 31st 2005 in accordance with these new standards.

■ Limits to the powers granted to the CEO and his representative on the staff

The General Management of Vilmorin & Cie is the responsibility of the Chairman of the Board of Directors. During the course of the fiscal year 2005-2006, he was assisted by his representative, M. Daniel CHÉRON.

The CEO has the widest powers to act in all circumstances on behalf of the company. He exercises these powers within the scope of the object of the company, and within the limits of the powers granted by the French law governing Associations of shareholders and Boards of Directors.

The CEO's representative on the staff, has the same powers as those of the CEO with regard to third parties.

For purposes of the company's internal organization, the powers of the CEO and his representative on the staff have been partially limited by the Board of Directors (meeting of December 13th 2005), but these limits are not available against third parties.

KPMG Audit
1, cours Valmy
92923 Paris la Défense Cedex – France

Visas 4 Commissariat
56, bd Gustave Flaubert
63010 Clermont-Ferrand – France

Statutory Auditors' Report

Statutory Auditors' Report set out in application of the last paragraph of article L.225-235 of the French Commercial Code, based on the report of the Chairman of the Board of Directors of the company Vilmorin & Cie S.A. (formerly Vilmorin Clause & Cie S.A.) concerning the procedures of internal control related to the production and processing of accounting and financial information.

Year ended June 30th 2006

To the Shareholders,

In order to fulfill our mission as statutory auditors of the company Vilmorin & Cie S.A. (formerly Vilmorin Clause & Cie S.A.), and in application of the provisions of the final paragraph of article L.225-235 of the French Commercial Code, we hereby present our report on the report set out by the Chairman of your company in compliance with article L.225-37 of the French Commercial Code for the fiscal year closed on June 30th 2006.

The Chairman is required, in particular, to provide information, in his report, on the conditions in which the work of the Board of Directors has been prepared and organized, and on the internal control procedures implemented in the company.

Part of our mission is to provide you with our opinions on the information set out in the Chairman's report concerning internal control procedures related to the production and processing of any accounting and financial information.

We conducted our mission in accordance with the professional standards applicable in France. Those standards require that we plan and perform our mission to obtain reasonable assurance about whether the information set out in the Chairman's report on internal control procedures related to the production and processing of any accounting and financial information is free of material misstatement. This particular mission includes:

- > examining the objectives and general organization of internal control, and the internal control procedures related to the production and processing of accounting and financial information presented in the Chairman's report,
- > examining the work underlying the information set out in this report.

On the basis of our work, we have no particular comments to make on the company's internal control procedures related to the production and processing of accounting and financial information presented in the report of the Chairman of the Board of Directors, set out in compliance with article L.225-37 of the French Commercial Code

Paris La Défense and Clermont-Ferrand, October 19th 2006

KPMG Audit
Département de KPMG SA
Catherine PORTA



Visas 4
Commissariat
Claude AUBERT



Report of the Board of Directors to the Annual General Meeting of December 12th 2006

To the Shareholders,

The present Annual General Meeting was convened in accordance with the law and the bylaws of your company:

> on one hand to submit for your approval the annual financial statements for the fiscal year closing on June 30th 2006,

> 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, or otherwise, 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 & Cie

Vilmorin & Cie's corporate financial statements have been set out in accordance with French regulations. The fiscal year closing on June 30th 2006 is the first year regulation n° 2002-10 concerning the amortization and depreciation of assets and regulation n° 2004-06 concerning the definition, accounting for, and evaluation of assets has been applied. These regulatory changes are tantamount to changes in accounting methods. Application of these regulations has had no effect on the company's income statement or equity. It has simply involved the restatement of deferred charges in relation to agreements signed with the Dutch companies BioSeeds BV and Keygene NV during the course of fiscal 2000-2001 as intangible fixed assets.

During the course of the year 2005-2006, Vilmorin & 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 majority take-over of the Japanese company Mikado Seed Growers with a stake of 54% in its stock.

Meanwhile, research investment devoted to upstream biotechnology programs was reinforced through supplementary funding, now standing at 5.9 million euros.

Vilmorin & Cie's sales reached 9.2 million euros in 2005-2006 as opposed to 8.1 million euros the previous year.

These sales mainly correspond to services rendered by Vilmorin & Cie to its subsidiaries in the areas of general administration, human resource management and pooled upstream research programs.

These services are invoiced proportionately between the subsidiaries of Vilmorin & 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 14.1 million euros, up by 1.8 million euros compared with 2004-2005.

The total amount of costs not deductible from taxable income amounted to 1 955 134 euros for the fiscal year 2005-2006.

The operating income showed a loss of 2.4 million euros.

The financial result showed a net income of 29 million euros, up 3.1 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 27.9 million euros, compared with 25.6 million euros for the previous year.

It also includes net the write back of financial provisions of 1.5 million euros.

Finally, the financial income also includes interest charges of 0.6 million euros.

The extraordinary result shows a net loss of 6.2 million euros including, on one hand, a subsidy granted to the German company Flora Frey, and net capital losses on the sale of securities held of 1.6 million euros.

Income tax takes into account the impact of the fiscal integration system adopted on July 1st 2000 for a group of companies including Vilmorin & Cie, Clause Tézier SA and Oxadis SA; for the fiscal year 2005-2006 a net income of 2.1 million euros was recorded.

As a result of the above-mentioned considerations, the net corporate income came to 22.5 million euros on June 30th 2006.

The company's stock on June 30th 2006 stood at 145 896 429.75 euros, corresponding to 9 566 979 shares at nominal value of 15.25 euros each.

■ Vilmorin & Cie consolidated

For the first time, for the close of fiscal 2005-2006 Vilmorin & Cie's financial statements were set out in accordance with the IFRS accounting and evaluation principles as adopted by the European Union on June 30th 2006.

After a fiscal year 2004-2005 that was already marked by sustained growth in its business, and a significant increase in profitability, Vilmorin & Cie again achieved commendable performances in sales and income for the fiscal year 2005-2006.

On June 30th 2006, consolidated sales, including services and royalties, came to 497.5 million euros as opposed to 489.6 million euros the previous year.

Like for like, after corrections for variations in scope and currency rates, sales were in fact up by 1.7%.

Restated for inventory write-off, covered by provisions, gross margin after cost of sales stood at 49.8% down 1.9 percentage points compared with 2004-2005. It was strongly affected this year, on one hand, by the exceptional increase (2.4 million euros) in obsolescence costs linked to the redefinition of certain commercial line-ups, and also by changes to the consolidation scope (global integration of two Japanese subsidiaries).

The consolidated operating income stood at 52.5 million euros, a rise of 8.6 million euros compared with the previous year, and provided an operating margin of 10.6%, up 1.7 percentage points.

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

The financial result shows a net charge of 3.7 million euros as opposed to a net income of 1.9 million euros in 2004-2005 which was characterized by Vilmorin & Cie's dilution in the stock of the company BioSeeds. Cost of funds came to 5.2 million euros and again reflects Vilmorin & Cie's careful control of its average indebtedness.

The charge of income taxes on the income came to 6.7 million euros as opposed to 11.9 million euros the previous year. It included a drop in taxes for the year of 4.8 million euros.

Following the sale of its North American subsidiary, Ferry Morse on July 1st 2005, Vilmorin & Cie recorded profits on discontinued activities for this fiscal year of 5.5 million euros.

Finally, the total net profit came to 49.2 million euros as opposed to 34.8 million euros on June 30th 2005, an increase of 14.4 million euros. The Group's share in this profit was 43.8 million euros, an increase of 35.6%.

Like for like, the balance sheet structure on June 30th 2006 globally showed relative stability in its main components.

Thus, net of cash and bank in hand, book indebtedness on June 30th 2006 stood at 69.3 million euros as opposed to 79.1 million euros on June 30th 2005. On June 30th 2006 the net balance of short-term reciprocal advance cash loans made within the framework of Groupe Limagrain's consolidated funds management was positive and stood at 13.3 million euros as opposed to a negative position of 2.7 million euros on June 30th 2005. The proportion of non-current indebtedness stood at 44.1 million euros.

NB: the figures expressed for the companies correspond to the presentation of their financial statements in accordance with IFRS standards and include the activities of all their subsidiaries.

■ Professional activities

During the fiscal year 2005-2006, the professional companies globally improved on their performances throughout their markets.

Vilmorin consolidated its commercial positions with sales of 64.5 million euros, up 6.3%, and closed with net profits of 11.5 million euros.

Nickerson Zwaan pursued the sustained development of its international business, making total sales of 34.5 million euros and a net income of 2.7 million euros. Working together in the same business unit, Vilmorin and Nickerson Zwaan intensified their cooperation further during fiscal 2005-2006, particularly in terms of research, production and commercial organization.

As in previous years, **Clause Tézier's** performance was excellent, with sales up 5.1% to 110 million euros and a net income of 20.8 million euros. This growth is confirmation of the breakthrough of its new product line-ups in all its markets, and particularly internationally.

Harris Moran had an excellent sales campaign for 2005-2006 reaching sales of 82.2 million dollars and, in particular, continues to reap the benefits of its development on the Mexican market. The income recorded in the financial statements on June 30th 2006 shows a slight profit, and integrates exceptional charges that include the abandonment of certain low-margin product line-ups.

In spite of the significant contraction of its agricultural supplies dealing business, **Kyowa Seed** confirmed its progress in seed sales and continued to streamline its organization. By the end of the fiscal year its sales had reached 47.3 million euros and its net income showed a profit of 1 million euros; this real improvement was achieved by strict control of the operating charges.

Over the past fiscal year, **Hazera Genetics** confirmed the quality of its product portfolio and its potential for international development.

Its sales reached 52.1 million euros and with a net income of 9.6 million euros it was able to increase its contribution to the overall performance of the Professional businesses.

In the Asia Pacific area, the other Professional companies (**Mikado Seed Growers, Henderson Seed, Marco Polo Indonesia and Marco Polo Thailand**) intensified their mission to establish and develop research, production and trading.

■ Home Garden Activities

The companies in the Home Garden Division once again achieved highly contrasting performances for the fiscal year 2005-2006, depending on the markets.

With sales of 95 million euros, **Oxadis** confirmed its potential for profitability and growth; the net income of 2.6 million euros this year takes into account all the streamlining costs of its flower bulb activity which is now run through its subsidiary Van den Berg. After a period of revamping its product line-ups and optimizing its organization, Oxadis has now initiated a redeployment and development stage based around its brand Vilmorin both in France and on certain export markets.

On the German market, **Flora Frey** experienced another difficult fiscal year because of market conditions that suffered from extreme pressure on the prices. On June 30th 2006, Flora Frey closed with sales of 12.6 million euros and accounting income at break-even after a subsidy from Vilmorin & Cie of 4.9 million euros.

Now operationally integrated with Flora Frey, **Sperling** contributed to a more profitable positioning of the business portfolio, especially in specialized distribution circuits.

On the Polish market, **CNOS Vilmorin** confirmed its capacity for development with sales of 12.3 million zlotys, and making a profit.

This year **Suttons'** succeeded in increasing mail order sales significantly, particularly for young plants. Sales were up 10.7% to 16.5 million pounds sterling and the company showed profits of 0.4 million pounds sterling.

Top Green, a company specialized in the lawn seed sector, managed to reinforce its function of supplying and marketing for other Home Garden companies, and to consolidate the partnership signed with the Danish group DLF. Through its economic performance (sales 7.7 million euros), the company also made a contribution to consolidated results.

On the basis of the performances recorded for the companies operating in the Home Garden business in recent years, and potential perspectives, in the spring of 2005 Vilmorin & Cie finalized a medium-term action plan aimed at progressively refocusing its Home Garden business portfolio on the main European gardening markets. This plan favors a growth model based on a sustainable, active innovation policy built on a limited number of brands with a strong reputation.

The main guidelines for this plan have been laid down progressively for all the European subsidiaries.

However, Vilmorin & Cie concluded that the specific nature of the North American market, both in terms of product line-ups and distribution networks, meant that **Ferry Morse's** business no longer fitted in with the global strategy redefined for the Home Garden business. Consequently, Vilmorin & Cie decided to sell this company and Jiffy International, a Norwegian group, decided, during the course of the fiscal year 2005-2006, to take control of operations and the stock of Ferry Morse, with the aim of consolidating its growth.

The successful implementation of this strategic plan step by step should enable Vilmorin & Cie's Home Garden Division to make significant medium-term improvements to its operating margin.

Environmental and social information

Vilmorin & 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 & Cie, constituting one of the foundation stones of their general policy.

■ Environmental information

The products created or developed by Vilmorin & 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 & 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,...).

Thus, as for the previous fiscal year, in 2005-2006 Vilmorin & Cie has not had to deal with any environmental accident or answer any procedures involving the payment of damages.

■ Social information

On June 30th 2006, the consolidated headcount of Vilmorin & Cie stood at 2 814 permanent employees compared with 2 871 on June 30th 2005.

The average annual headcount for fiscal 2005-2006, stood at 3 024 as opposed to 3 065 for the previous year.

During the course of the fiscal year, Vilmorin & Cie hired 205 new permanent employees, including more than half in Europe.

Moreover, at certain times the group was required to call upon temporary staff because of the seasonal nature of its business.

During the fiscal year, 3 companies implemented reorganization measures that affected the personnel, either because of a

drop in business, or as part of a restructuring program. These measure led to an overall drop in the headcount of 64.

More than half the companies run scheduled training programs that go beyond basic legal requirements. In 2005-2006 the expenditure involved came to 0.5 million euros, and 20 472 hours were devoted to developing the know-how of employees.

With regard to the representative provisions for the personnel working at Vilmorin & Cie, these are generally set up throughout Europe, in accordance with applicable legislation, and concern works councils and/or shop stewards.

During fiscal 2005-2006, eighteen agreements were signed, dealing principally with salaries 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 & Cie, the working time in each of the subsidiaries varies, depending on the country, from 32.5 to 45 hours per week.

Event occurring after closing accounts

On July 3rd 2006 Vilmorin & Cie incorporated all the field seeds activities of Groupe Limagrain, grouped under the control of the holding company Biofina.

This operation was achieved by the contribution to Vilmorin & Cie, by Limagrain, of all the shares of the company Biofina, which were remunerated through the issue of 3 824 878 new shares; Vilmorin & Cie thus took its stock up to 13 391 857 shares with a total value of 204 225 819.25 euros. Documentation for this operation was registered and approval granted by the Autorité des marchés financiers (Document E registered on June 1st 2006 under the number E 06-079, Reference document recorded on November 9th 2005 under the number D.05-1262 and its update registered on April 4th 2006 under the number D.05-1262-A01).

Furthermore, after closing its accounts on June 30th 2006, Vilmorin & Cie concluded and published the following operations:

- > In July 2006 Vilmorin & Cie acquired, from the Israeli holding company Megadlei Zeraim, the participation which it held in Hazera Genetics, thus taking its stake up to 90%.
- > In July 2006 Vilmorin & Cie announced the signing of a strategic alliance with the Indian biotechnology company Avestha Gengraine Technologies Pvt Ltd. In particular, this agreement will lead to the creation of joint ventures with the intention of developing a vegetable and field seeds business unit on the Indian market.

> Finally, in September 2006 Vilmorin & Cie signed an agreement with the Danish seeds company DLF. This agreement concerns the sale of Vilmorin & Cie's research and production activities for forage and amenity grass seeds, the acquisition of the Innoseeds cereal business, and a strengthening of the two companies' commercial cooperation in Europe.

Perspectives for the future

The fiscal year for 2005-2006 was marked by sustained organic growth in the Professional Division, varying performances in the companies of the Home Garden Division, and the continuing successful integration of the companies of which we have recently acquired control.

Fiscal 2006-2007 will essentially be devoted to pursuing the development of our vegetable seeds business and the successful integration of the new field seeds activities.

Vilmorin & Cie must thus continue to build its development from the growth potential inherent in all its business activities.

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

- > a rational intensification of research investment in upstream technologies and conventional plant breeding,
- > international development for all our business, particularly for the professional markets,
- > 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 & Cie will be able to reinforce its position as world leader and offer sustainable perspectives for growth.

Acquisitions and sales of stock

NB: a detailed table of subsidiaries and participations is appended to this report on page 60.

Among significant operations achieved during the course of the fiscal year 2005-2006, the following deserve a special mention:

> In April 2006, Vilmorin & Cie took majority control of the Japanese company Mikado Seed Growers, taking its stake up to 54% of the stock,

> Through its holding company American Bio Corporation, Vilmorin & Cie sold the company Ferry Morse, specialized in the North American Home Garden.

Shareholders

In compliance with the fifteenth resolution adopted by the Joint Annual and Extraordinary Meeting held on December 13th 2005, in January 2006 Vilmorin & Cie divided the nominal value of its share by three, from 45.75 euros to 15.25 euros per share.

At closing date, the stock of Vilmorin & Cie was divided up into 9 566 979 shares each with a nominal value of 15.25 euros.

A majority of 51.4% of the stock is held by Groupe Limagrain Holding, 9.3% by Sélia and 9.3% by the Coopérative Agricole Limagrain, all three of which are companies belonging to Groupe Limagrain.

On June 30th 2006, Vilmorin & Cie held 6 102 internal shares corresponding to 0.06% of its stock.

In compliance with the provisions of article L225-102 of the French Commercial Code, we inform you that on June 30th 2006 no employee held a stake in the stock.

Following the above-mentioned stock increase made on July 3rd 2006, 36.7% of the stock was held by the majority shareholder Groupe Limagrain Holding, 28.6% by Limagrain Agro-Industrie, and 6.7% both by Sélia and by the company Coopérative Agricole Limagrain, all four companies belonging to Groupe Limagrain.

■ Appropriation of the profits

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

Net profit on 06.30.06	22 506 779.26 €
Application to legal reserve	1 125 338.96 €
Profit available on 06.30.06	21 381 440.30 €
Brought forward	17 497 640.01 €
Dividends to distribute	21 694 808.34 €
To carry forward	17 497 640.01 €

The net dividend is set at 1.62 euros per share. As a proportion of the net profits for Vilmorin & Cie, the sums distributed amount to 49.5%.

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The total amount of dividends (21 694 808.34 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:

	02-03	03-04	04-05
Number of shares	3 188 993	3 188 993	3 188 993
Nominal	45.75 €	45.75 €	45.75 €
Net dividend per share	3.80 €	4.60 €	4.85 €
Tax credit	1.90 €	2.30 €	-
Gross dividend per share	5.70 €	6.90 €	-

■ 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 23rd 1967, the following table shows the results of our company over the past five years.

K€	05-06 (1)	04-05	03-04	02-03	01-02
Stock at the end of the year					
Stock	145 896	145 896	145 896	145 896	145 896
Number of issued shares	9 566 979	3 188 993	3 188 993	3 188 993	3 188 993
Operations and results					
Total sales before tax	9 171	8 100	7 034	8 431	10 344
Profit before tax, profit sharing, amortization, depreciation and provisions	19 778	19 614	17 609	18 198	11 748
Income taxes	- 2 074	- 3 371	70	293	- 252
Profit sharing for the year	-	-	-	-	-
Profit after tax, profit sharing, amortization, depreciation and provisions	22 507	20 659	12 204	12 094	8 825
Profits distributed	15 466	14 669	12 118	10 045	9 568
Profit per share					
Profit after tax and profit sharing, but before amortization, depreciation and provisions	2.28	6.86	4.20	4.21	3.08
Profit after tax, profit sharing, amortization, depreciation and provisions	2.35	6.48	3.83	3.79	2.77
Dividend per share	1.62	4.60	3.80	3.15	3.00
Headcount					
Average staff (2)	14	11	13	44	37
Total payroll	1 142	1 002	950	1 374	1 531
Benefits paid out for the fiscal year	1 031	851	698	893	869

(1) Taking into account the division of the nominal value of the share by three.

(2) Number of people.

■ 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 2005-2006. The 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.

On June 30th 2006, the Board of Directors was composed of the following members:

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

A list of terms of office and functions for the members of the Board of Directors is included in the present report on pages 46 and 47 of the Chapter "Corporate governance".

During the fiscal year for 2005-2006, your Board of Directors met seven times.

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

■ Token payments or allowances paid to corporate representatives

We wish to inform you that, just as in previous years, your Directors carried out their duties in 2005-2006 without any remuneration, and that it is therefore unnecessary to come to a decision on any token payments or allowances.

Monsieur Daniel CHERON, Director and CEO delegate is also a salaried member of the staff of Groupe Limagrain Holding, the main shareholder of Vilmorin & Cie, and thus it should be noted that the proportion of gross remuneration paid for the function that he held specifically for Vilmorin amounted to 125.100 euros in 2005-2006.

■ Program to buy back shares in accordance with article L225-209 of the French 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 13th 2005, we carried out the following operations over the fiscal year:

Number of shares purchased	37 706
Average purchasing price	60.14 €
Number of shares sold	40 781
Average selling price	60.01 €

On June 30th 2006, our company held 6 102 shares, corresponding to 0.06% of the stock, at a purchasing value of 357 804 euros, which is a unit price of 58.64 euros.

On September 30th 2006, our company held 6 470 internal shares, corresponding to 0.07% of the stock, at a purchasing value of 381 615 euros, which is a unit price of 59 euros.

In order to encourage the liquidity of transactions and a regular quotation for our share value, your Board of Directors proposes that you grant authorization, for a maximum duration of 12 months, to manage the company's internally held shares in compliance with the provisions of article L 225-209 of the French Commercial Code.

These operations will be carried out through a liquidity contract signed with an investment service provider in accordance with regulations in force and the following conditions:

- > the maximum purchasing price is fixed at 85 euros per share,
- > the maximum quantity of shares liable to be purchased is fixed at 1 000 000 shares representing a maximum potential commitment of 85 million euros.

■ Authorization to proceed with a public stock issue

During the course of the Joint General and Extraordinary Meeting of December 13th 2005, 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.

In compliance with article L225-100 of the French Commercial Code, we inform you that Board of Directors did not exercise this authorization during the fiscal year 2005-2006.

However, 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 & Cie, these authorizations be renewed for a period of eighteen months, in accordance with the provisions presented hereafter.

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 150 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 nominal value of the loan,
- > fix the terms and conditions of the bonds and/or debt securities to issue, and in particular: their nominal value, their issue price, their fixed and/or variable rates of interest, and the payment dates, their fixed or variable 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.

The application of this delegation is laid down in the sixth resolution submitted for your approval.

■ 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 the IFRS accounting and evaluation principles as they were adopted by the European Union on June 30th 2006.

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

Your Board of Directors invites you to adopt all the resolutions which it is submitting for your approval.

Consolidated financial statements

Consolidated income statement / Fiscal year 2005-2006

In millions of euros	Notes	05-06	04-05
Revenue from ordinary activities	4	497.5	489.6
Cost of goods sold	-	- 249.7	- 236.6
Marketing and sales costs	-	- 83.6	- 82.2
Research and development costs	7	- 39.3	- 34.3
Administrative and general costs	-	- 71.5	- 78.3
Other income and operating charges	8	- 0.9	- 14.3
Operating income	-	52.5	43.9
Interest costs	9	- 5.2	- 6.3
Other profits and financial costs	10	1.5	8.2
Profit from associated companies	17	1.6	0.9
Income taxes	11	- 6.7	- 11.9
Profit from continuing operations	-	43.7	34.8
Profit from discontinued operations	2	5.5	-
Net income for the period	-	49.2	34.8
Group share	-	43.8	32.3
Minorities share	-	5.4	2.5

In euros	05-06	04-05
Profit from continuing operations for one share - Group share	4.0	3.4
Profit from discontinued operations for one share - Group share	0.6	0.0
Net income for the period for one share - Group share	4.6	3.4

Consolidated balance sheet on June 30th 2006 / Assets

In millions of euros	Notes	06.30.06	06.30.05	06.30.04
Goodwill	13	22.1	19.1	20.1
Other intangible fixed assets	14	155.0	153.4	145.4
Tangible fixed assets	15	88.0	84.4	87.0
Financial assets	16	12.1	12.4	10.3
Equity shares	17	6.8	6.0	4.2
Deferred taxes	24	3.6	5.3	4.5
Total assets less current liabilities	-	287.6	280.6	271.5
Inventories	18	164.7	167.3	145.0
Trade receivables and other receivables	19	180.9	185.5	162.9
Cash and cash equivalents	20	92.1	86.3	77.8
Total current assets	-	437.7	439.1	385.7
Total assets	-	725.3	719.7	657.2

Consolidated balance sheet on June 30th 2006 / Liabilities

In millions of euros	Notes	06.30.06	06.30.05	06.30.04
Share capital	21	145.9	145.9	145.9
Reserves and income - Group share	21	176.9	154.7	135.2
Equity - Group share	21	322.8	300.6	281.1
Minority interests	22	47.6	41.0	36.6
Consolidated equity	-	370.4	341.6	317.7
Provisions for staff benefits	23	19.7	20.2	18.7
Non-current financial debts	26	44.1	43.0	57.9
Deferred income taxes	24	35.1	37.2	36.8
Total non-current liabilities	-	98.9	100.4	113.4
Other provisions	25	11.7	12.4	7.4
Accounts payable	27	126.4	142.0	122.6
Deferred income	28	0.6	0.9	1.2
Current financial debts	26	117.3	122.4	94.9
Total current liabilities	-	256.0	277.7	226.1
Total liabilities	-	725.3	719.7	657.2

Consolidated cash flow statement

In millions of euros	06.30.06	06.30.05
1 – Trading operations		
Income for the year	49.2	34.8
Results of companies consolidated under equity method after dividends	- 1.6	- 0.9
Depreciation and amortization	38.7	39.0
Net non-current provisions	- 2.6	2.7
Variation in deferred taxes	- 1.1	- 0.8
Income from capital operations	- 12.1	- 4.9
Profits on the disposal of financial assets	-	- 0.2
Cash flow	70.5	69.7
Variation in working capital needs with comparable scope		
> Inventory	- 3.5	- 15.6
> Trade debts	- 7.8	- 9.6
> Short term debts	- 12.5	8.0
Cash from operating activities	46.7	52.5
2 – Investment operations		
Sale of fixed assets (1)	23.9	6.9
Acquisition of fixed assets		
> Intangible fixed assets	- 30.3	- 26.2
> Tangible fixed assets	- 12.5	- 12.2
> Financial fixed assets	- 22.0	- 4.8
Decrease in other fixed financial assets	19.3	2.4
Cash flow acquired through scope entries (2)	1.3	- 2.7
Cash flow conceded through scope exits	- 2.3	-
Variation in fixed financial assets	-	-
Net increase/decrease in cash and cash equivalents	0.6	1.7
Cash flows from investing activities	- 22.0	- 34.9
3 – Cash flows from financing activities		
Increase in financial liabilities	- 1.3	1.9
Acquisition / sale of internally held shares	-	1.6
Dividends received on non consolidated participations	-	-
Dividends paid out	- 16.3	- 15.0
Net cash used in financing activities	- 17.6	- 11.5
4 – Net effect of currency translation in cash and cash equivalents	- 1.3	2.4
5 – Net increase/decrease in cash and cash equivalents	5.8	8.5
6 – Cash and cash equivalents at beginning of period	86.3	77.8
7 – Cash and cash equivalents at end of period	92.1	86.3

(1) Including 16.8 million euros linked to the discontinued activity of Ferry Morse.

(2) This concerns the entry of Mikado (cf. Note 2).

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Variation in Consolidated Equity

In millions of euros	Group share					Minority interests	Total
	Capital	Premiums	Income and other reserves	Currency translation	Total		
On 07.01.04	145.9	29.3	105.9	0.0	281.1	36.6	317.7
Currency translation				1.5	1.5	0.1	1.6
Gains and losses recorded directly in equity							
Net income			32.3		32.3	2.5	34.8
Total gains and losses for the fiscal year	0.0	0.0	32.3	1.5	33.8	2.6	36.4
Variation of internally held shares							
Dividends paid out			- 14.6		- 14.6	- 0.4	- 15.0
Variations in scope						2.2	2.2
Effect of share purchase commitments							
Variation in capital of the parent company							
Others			0.3		0.3		0.3
On 06.30.05	145.9	29.3	123.9	1.5	300.6	41.0	341.6
Currency translation				- 6.2	- 6.2	- 1.5	- 7.7
Gains and losses recorded directly in equity			0.6		0.6	0.8	1.4
Net income			43.8		43.8	5.4	49.2
Total gains and losses for the fiscal year			44.4	- 6.2	38.2	4.7	42.9
Variation of internally held shares			0.2		0.2		0.2
Dividends paid out			- 15.5		- 15.5	- 0.8	- 16.3
Variations in scope						2.3	2.3
Effect of share purchase commitments							
Variation in capital of the parent company							
Others			- 0.7		- 0.7	0.4	- 0.3
On 06.30.06	145.9	29.3	152.3	- 4.7	322.8	47.6	370.4

Note - Consolidation scope

The main companies comprising the scope of Vilmorin & Cie are as follows:

Company	Country	% Voting rights	% Financial control	Conso- lidation method
Alliance Semillas de Argentina	Argentina	100.00	94.35	IG
Alliance Semillas de Chile	Chile	51.00	48.12	IG
American Bio Corporation (ABC)	United States	100.00	100.00	IG
Anadolu	Turkey	47.48	44.77	EQ
Asamia Cold Storage Ltd	Israel	100.00	54.74	IG
BioSeeds	Netherlands	20.00	20.00	EQ
Biotech Mah Management	Israel	50.00	27.37	IP
Carl Sperling & Co	Germany	100.00	93.83	IG
Clause Harris Moran Tézier (CHMT)	South Africa	98.00	92.46	IG
Clause Tézier Australia	Australia	100.00	99.97	IG
Clause Tézier do Brasil	Brazil	100.00	99.97	IG
Clause Tézier Iberica	Spain	100.00	99.97	IG
Clause Tézier India	India	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	47.85	IG
Cylonie	Luxembourg	50.00	50.00	IP
Flora Frey GmbH	Germany	93.83	93.83	IG
Flora Geissler	Switzerland	100.00	99.99	IG
Groupe Limagrain Luxembourg	Luxembourg	50.00	50.00	IP
Hazera Canarias	Spain	100.00	54.74	IG
Hazera Espana	Spain	100.00	54.74	IG
Hazera Genetics Ltd	Israel	54.74	54.74	IG
Hazera Holding International BV	Netherlands	100.00	54.74	IG
Hazera Mauritius Ltd	Mauritius	100.00	54.74	IG
Hazera Seeds Inc	United States	100.00	54.74	IG
Hazera Tohumculuk ve Ticaret AS	Turkey	99.99	54.74	IG
Henderson Seeds JV	Australia	61.08	61.08	IG
Harris Moran Seeds Inc	United States	100.00	94.35	IG

Kyowa Seed	Japan	59.03	59.03	IG
Marco Polo Seed Nusantara	Indonesia	90.00	90.00	IG
Marco Polo Seed Thailand	Thailand	100.00	100.00	IG
Mikado Holding International	Japan	54.29	54.29	IG
Mikado Seed Growers	Japan	100.00	54.29	IG
Nickerson Zwaan BV	Netherlands	100.00	94.30	IG
Nickerson Zwaan GmbH	Germany	100.00	94.30	IG
Nickerson Zwaan India	India	100.00	94.30	IG
Nickerson Zwaan Ltd	United Kingdom	100.00	94.30	IG
Nickerson Zwaan Sp.Z o.o.	Poland	100.00	94.30	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	94.35	IG
Sperling GmbH	Germany	100.00	93.83	IG
Suttons	United Kingdom	100.00	100.00	IG
Top Green	France	50.00	50.00	IP
Van den Berg	Netherlands	80.00	79.99	IG
VCC Japan	Japan	100.00	100.00	IG
VCC Seeds Ltd	Israel	100.00	100.00	IG
Vilmorin & Cie	France	100.00	100.00	IG
Vilmorin Iberica	Spain	99.78	94.10	IG
Vilmorin Inc	United States	100.00	100.00	IG
Vilmorin Italia	Italy	100.00	94.36	IG
Vilmorin	France	99.96	94.30	IG

IG: Global Integration
IP: Proportional Integration
EQ: Equity Method

Note 1 - Accounting methods and principles in IFRS standards

The consolidated financial statements of Vilmorin & Cie have been set out in accordance with IFRS standards as described hereafter and adopted in the European Union on June 30th 2006. The consolidated financial statements were closed by the Board of Directors on October 6th 2006.

1.1 – General context and declaration of compliance

In application of regulation n° 1606/2002 adopted on July 19th 2002 by the European Parliament and the Council of Europe, the consolidated financial statements of Vilmorin & Cie closed on June 30th 2006 have been prepared in compliance with the IFRS referential (International Financial Reporting Standards) as adopted in the European Union on the closing date of these financial statements.

Vilmorin & Cie disclosed consolidated half-yearly financial statements on December 12th 2005, in compliance with the French accounting rules and methods concerning consolidated financial statements approved by decree on June 22nd 1999 confirming regulation 99.02 of the accounting regulations committee.

Comparative financial information for 2004/2005 has been set out according to the IFRS referential in force at the time of preparation of the annual financial statements closed on June 30th 2006, and in compliance with IFRS 1 concerning the first-time adoption of IFRS standards.

As from July 1st 2004 Vilmorin & Cie applied standards IAS 32 and IAS 39 concerning financial instruments.

1.2 – Implementation of IFRS standards

As first time adopter of IFRS standards, Vilmorin & Cie prepared an opening balance sheet on July 1st 2004 in accordance with these new standards. The accounting methods adopted have been applied permanently to all the periods presented for the financial statements, and also for the opening balance sheet.

In order to set out its opening balance sheet, Vilmorin & Cie complied with the general retrospective rule of application as defined by IFRS 1.

The company has adopted a number of optional exemptions defined by IFRS 1:

- > Actuarial gains and losses not yet recognized as provisions for pensions were capitalized as equity on July 1st 2004.
- > In compliance with IFRS 3 business combinations previous to July 1st 2004 have not been restated.
- > The fair value option for certain tangible fixed assets has also been exercised.
- > Currency translations were allocated to consolidated reserves on July 1st 2004.

Presentation of the balance sheet complies with the criteria of classification on a current and non-current basis, as stipulated by IAS 1.

Similarly, Vilmorin & Cie has chosen to adopt presentation of its income statement according to function. The cash flow table is presented using the indirect method.

1.3 – Basis of evaluation used to establish the consolidated financial statements

The consolidated financial statements have been established using the historical cost convention, with the exception of certain categories of assets and liabilities, in compliance with IFRS rules. The categories concerned are mentioned in the following notes.

1.4 – The use of estimates

In order to establish its financial statements, the Management of Vilmorin & Cie must carry out a number of estimates and hypotheses that affect the book value of the assets and liabilities, the income and the charges, and also the information provided in notes.

The Management of Vilmorin & Cie carries out these estimates and assessments on an ongoing basis, taking into account its experience and various other factors deemed to be reasonable that form the basis of these decisions.

The figures appearing in future financial statements are liable to differ from these estimates, depending on the evolution of these hypotheses or different conditions.

The main significant estimates made by the Management of Vilmorin & Cie in particular concern the evolution of commitments to employees, goodwill, other intangible fixed assets and provisions.

1.5 – Consolidation methods (IAS 27 – 28 – 31)

The following rules have been applied:

> A subsidiary is an entity controlled by the company. Controlled subsidiaries are consolidated using global integration.

Control is defined as when the company holds the power to govern, whether directly or indirectly, the financial and operating policies of the entity in order to obtain advantages from its business.

The criteria used to appreciate whether control exists are as follows:

- either direct or indirect holding of the majority of voting rights, including potential voting rights which can currently be exercised or converted;
- or the appointment over two successive fiscal years of the majority of the members of the board of directors or equivalent governing body, the management or supervision;
- or the possibility to exert dominant influence.

The financial statements of the subsidiaries are included in the consolidated financial statements as from the date when this control is obtained right up until the date when this control ends.

> Companies controlled conjointly, as the result of a contractual agreement, with a limited number of partners, are consolidated by proportional integration: the consolidated financial statements include Vilmorin & Cie's proportion of the assets, liabilities, income and charges grouped together, line by line, with the similar elements of the financial statements, as of the date when the joint control starts right up until the date when it ends.

> Associated companies in which the group exerts significant influence, which is presumed to be the case when the voting rights are higher than 20%, are consolidated using the equity method. Consolidated financial statements include Vilmorin & Cie's proportion in the total amount of profits and losses accounted for by the associated companies (equity method), as of the date when significant influence is first exerted right up until the date it ends. If Vilmorin & Cie's proportion in a company's losses is higher than its stake in this company, the book value of the shares integrated using the equity method is recorded as zero, and Vilmorin & Cie no longer accounts for its proportion of losses to come, unless Vilmorin & Cie has a legal or implicit obligation to participate in the losses or make payments on behalf of the associated company.

> Any internal transactions are eliminated in consolidation, particularly:

- reciprocal transactions and accounts,
- dividends paid out between consolidated companies,
- provisions and write-back of amortization on consolidated securities,
- internal margins on inventory,
- capital gains or losses on internal transfers or sales.

1.6 – Business combinations (IFRS 3)

The way business combinations are recorded in accounts depend on the acquisition method. Thus, for the first consolidation of a controlled company, the assets, liabilities and potential liabilities of the acquired company are assessed at their fair value in compliance with the provisions presented in the IFRS standards. Goodwill differentials appearing at this time are accounted for in the assets and liabilities concerned, including for minority shares, and not just for the proportion of acquired securities. The difference between acquisition cost and the proportion of net assets evaluated at their fair value is accounted for as positive or negative "Goodwill".

Negative goodwill that results from acquisitions is recorded directly as income for the fiscal year when the acquisition was materialized.

1.7 – Segment information

Segment information is presented on the basis of the internal organization of Vilmorin & Cie that reflects the risk level for profitability to which it is exposed.

The first level of segment information, as defined by IAS 14, is organized according to business segments.

The breakdown adopted by Vilmorin & Cie for the different business segments is as follows:

- > Professional Vegetable activity,
- > Home Garden activity.

The second level of segment information, as defined by IAS 14, is organized according to geographic area:

- > Europe, Americas, Asia, Africa, Middle East, Asia Pacific.

1.8 – Converting statements expressed in foreign currencies (IAS 21)

Vilmorin & Cie's financial statements are presented in euros.

Balance sheets of companies whose functional currency is not the euro are converted into euros at the exchange rate in force at close, and their income statements and cash flows at exchange rates as close as possible to the transaction dates.

Resulting translation differences are recorded in the equity on the line "Currency translation" and on the line "Minority interests" for the minorities share.

Goodwill and adjustments in fair value originating in the acquisition of a foreign entity are considered as the assets and liabilities of the foreign entity. They are therefore expressed in the functional currency of the entity and translated at the closing rate for the year.

1.9 – Translation of transactions expressed in foreign currencies

At the end of the fiscal year, monetary assets and liabilities expressed in foreign currencies are translated at the exchange rate in force at the closing rate for the year. The resulting exchange differences are recorded in the income statement (in "Other income and operating charges").

Translation differences for financial instruments expressed in foreign currencies and corresponding to net forward investment in a foreign subsidiary are recorded in equity in the line "Currency translation". They are recorded in the income statement when the activity is taken out of the foreign country.

For a foreign exchange hedge to be eligible for hedge accounting (cash flows or fair value), the hedge relation needs to be defined and documented, and its efficiency demonstrated throughout its lifespan. Fair value hedges can be used for protection against variations in the value of assets, liabilities or firm commitments. Future flow hedges are used for protection against variations in the value of future cash flows (turnover generated by the company's assets for example).

Derivatives are assessed at their fair value. Variations in the fair value of these instruments are dealt with in the following ways:

- > Fair value variations for instruments eligible for cash flow hedges are recorded in two places: directly in the equity for the efficient part of the hedge and in the financial income for the inefficient part.
- > Fair value variations for instruments eligible for fair value hedges are recorded in the income where they compensate for variations in the fair value of assets, liabilities or firm covered commitments.

1.10 – Other intangible fixed assets (IAS 38)

Other intangible fixed assets are recorded at acquisition cost, and other intangible fixed assets created internally are recorded at cost value.

When their duration of use is defined, intangible assets are amortized over their expected duration of use by Vilmorin & Cie. This duration is determined for each individual case depending on the nature of the items included in this line.

When their duration of use is undefined, intangible fixed assets are not amortized, but they are submitted to systematic annual value loss tests.

Consequently, intangible fixed assets with a defined duration of use are valued at cost price less amortization and any loss of value, whereas intangible fixed assets with an undefined duration of use are valued at cost price less the aggregate of losses in value. The main categories of other intangible fixed assets at Vilmorin & Cie are as follows:

a. Development costs

Development costs are recorded as intangible fixed assets when the activation conditions meet all five of the following conditions:

- > The projects are clearly identified and the costs concerned are treated individually and are evaluated in a reliable manner.
- > Technical feasibility of the projects is shown.
- > There is both an intention and capacity to see the projects through to the end.
- > There is a potential market for the production generated by these projects, or their internal utility has been demonstrated.
- > The resources necessary to run the projects right up to their conclusion are available.

Vilmorin & Cie considers that it is capable of satisfying these conditions as described above. As a consequence, its development projects are recorded as fixed assets in the following conditions:

Nature and contents of the projects recorded as fixed assets.

Projects recorded as fixed assets correspond to work leading to the development of new products, or to industrial processes relative to Vilmorin & Cie's business.

The business field concerned is that of Vilmorin & Cie's seed activities (vegetable seeds).

Work taken into account when costing development projects recorded as fixed assets include, in particular:

- > Plant improvement as such, and particularly conventional breeding, genome analysis work on species the company does research into, molecular marking and routine laboratory work used by breeders.
- > Trials, tests and experiments, the production of seeds at a pilot stage, registration fees, homologation fees or fees to maintain rights on products being launched.
- > The development of new technologies that aim to improve the performance of seeds such as: coating, pelleting, priming, etc.
- > Intellectual property activities connected to the registration of patents, Soleau envelopes, Proprietary Variety Certificates, freedom to operate studies, etc.
- > The development of new processes or industrial pilots for the transformation of plant-based raw materials or more elaborate products.

Work done before the above-described process is not taken into account in the definition of development costs (for example: transgenesis, the search for new genetic resources).

Moreover, only the charges that can be directly allocated to the programs concerned can be included in the calculation of the cost of projects recorded as fixed assets.

Development programs recorded as fixed assets are amortized using the straight-line method over a five-year period as of the first year.

b. Goodwill

Goodwill represents the difference between the acquisition price of the consolidated securities (plus any additional costs) and the share of Vilmorin & Cie in the fair value of their assets, liabilities and any potential liabilities that can be identified on the date of the purchase of the participation.

This goodwill is not amortized in accordance with IFRS 3 "Business Combinations".

Henceforth any goodwill will be subject to a value loss test once every year. The methodology adopted is described hereafter in Note 1.24. Any impairment recorded is irreversible.

Goodwill concerning companies consolidated under the equity method is recorded in "Equity shares". If the criteria for loss of value as defined by IAS 39 come into play, the amount of the loss is determined according to the rules defined by IAS 36.

c. Brands, patents, licenses

The cost of assets corresponds:

- > To the purchasing price plus any cost that can be directly shown to be due to the preparation of the asset for its planned use, for assets acquired separately.
- > To the fair price, at acquisition date, for any assets acquired through business combinations.

Any amortization should be linear.

(c1) – Brands

Their economic life span is considered to be indefinite and consequently brands are not amortized.

The classification of a brand as an asset with an unlimited life results, in particular, from the following indicators:

- positioning of the brand on the market in terms of volume of business and image;
- long-term perspectives for profitability;
- risk factor with regard to one-off accidents;
- major event occurring in the business sector, likely to leave its mark on the future of the brand;
- age of the brand;
- regular expenses on advertising and promotion.

They are regularly assessed and tested using the defined Cash Generating Units (CGUs).

(c2) – Brands

The duration of use for brands corresponds to the legal duration of protection.

(c3) – Licenses

The duration of use corresponds to the period during which they can be used by contract.

(c4) – Software

Depending on the application area of the software and taking into account the technological obsolescence, the economic life varies from three to seven years.

For certain specific needs, Vilmorin & Cie sometimes develops its own software applications. In such cases, the costs considered for recording them as fixed assets include:

- the costs of materials and services used,
- salaries and other labor costs directly involved in the production of these assets.

d. Germplasm

Germplasm comprises all the plant material used to breed new varieties of seeds. It constitutes a genetic pool used for the identification and use of different genes necessary for plant breeding (e.g. agronomic interest, disease resistance, tolerance to drought, greater yield, improvement of nutritive qualities, etc.).

Generally it is acquired through business combinations and is evaluated at fair price on the day of acquisition.

Bearing in mind that it needs to be kept permanently in good condition, regularly maintained and continually used in the process of plant breeding, Vilmorin & Cie considers that its economic life is indefinite. Consequently these assets are not amortized.

They are regularly assessed and tested using the defined Cash Generating Units (CGUs).

1.11 – Tangible fixed assets (IAS 16)

Tangible fixed assets are recorded at their acquisition cost or, where appropriate, their production cost less depreciation and loss of value.

a. Loan interests

In compliance with standards IAS 16 and IAS 23, interests on loans taken out for purposes of construction and the acquisition of tangible assets are recorded as financial charges and not as the cost of a fixed asset.

b. Components approach

The different components of a tangible fixed asset are recorded separately when their estimated duration of use and therefore their depreciation durations are significantly different.

c. Depreciation

(c1) – Basis for depreciation

Bearing in mind their specific nature, most of Vilmorin & Cie's industrial assets, are intended to be used until the end of their life span, and as a general rule, it is not envisaged that they should be sold, which justifies the fact that there is no residual value for these fixed assets.

(c2) – Depreciation method

The depreciation method adopted by Vilmorin & Cie is the straight-line method.

(c3) – Duration of depreciation

Depreciation is calculated according to the estimated durations of use for the following assets, reviewed every year:

- Land:	not depreciated
- Land management:	10 to 20 years
- Constructions:	10 to 40 years (1)
- Specialized complex installations:	5 to 10 years
- Machines, industrial equipment:	3 to 10 years
- Office equipment:	3 to 10 years
- Other tangible fixed assets:	3 to 10 years

(1) 10 to 20 years for light constructions,
20 to 40 years for more robust constructions.

(c4) – Presentation of the income statement

Amortization and depreciation are recorded in the income statement in accordance with the purpose of the fixed asset (cost of sales, commercial expenses, research costs, overheads and administrative costs, etc.).

d. Impairment tests

As part of the Cash Generating Units (CGU), tangible fixed assets are liable to be tested for loss of value if the circumstances so require.

A CGU is the smallest identifiable group of assets that generate cash entries clearly independent of cash entries generated by other assets or groups of assets.

This test has been implemented at Vilmorin & Cie, and is carried out in accordance with the rule explained in paragraph 1.24 hereafter.

1.12 – Lease agreements (IAS 17)

1.12.1 – Financial lease agreements

Goods acquired through financial lease agreements are recorded as fixed assets when the lease agreement transfers almost all the risks and rewards incident to ownership of these goods. Criteria used to assess these agreements are based, in particular, on:

- > the relationship between the lease term for the assets and their life duration,
- > the minimum total amount paid in the future compared with the fair value of the fixed asset being funded,
- > the existence of transfer of property at the end of the lease agreement,
- > the existence of a favorable purchase option,
- > the specific nature of the asset being leased.

Assets held by virtue of lease contracts are depreciated over the same duration as similar freehold assets.

Goods acquired through lease agreements are recorded as tangible fixed assets at the lowest amount of the fair value, or the current value of minimum payments at the date of the beginning of the agreement, and the loans are recorded as liabilities.

1.12.2 – Simple rental agreements

Rental agreements that do not have the characteristics of a financial lease agreement are recorded as operating rental contracts and only the installments paid are recorded in the income statement.

1.13 – Inventory and production in progress

Inventory and production in progress are evaluated at their lowest cost and their net realizable value.

Costs are generally calculated according to the method of weighted average cost; they include an appropriate proportion of overheads based on the normal production capacity, but excluding financial charges and any costs of a drop in activity.

The net realizable value is the estimated selling price in the normal course of business less the estimated costs necessary to achieve the sale.

Where relevant depreciation is recorded. It is generally intended to cover the following risks:

- > realizable value lower than market price,
- > adjustment according to sales perspectives,
- > bad product quality (mainly poor germination and problems of sanitary quality).

1.14 – Trade receivables

Receivables are valued at their fair value at their initial evaluation, and then at their amortized cost after any later evaluations. Impairment is recorded when the recoverable value is lower than the book value.

1.15 – Own shares

Own shares are recorded at their cost of acquisition less equity. Income from the sale of these shares is recorded directly as equity, and does not contribute to the profit for the fiscal year.

1.16 – Employee benefits (IAS 19)

In accordance with the laws and practices of each country in which it operates, Vilmorin & Cie participates in various pension, early retirement and post-employment benefit schemes.

a. Defined contribution plans

For basic plans and other plans with defined contributions, the contributions payable are recorded as charges for the fiscal year in which they are due, and no provision is made, since Vilmorin & Cie is only committed within the limit of the contributions paid.

b. Defined benefit plans

For such plans, Vilmorin & Cie records provisions which are determined as follows:

> The method used is that known as “Projected Unit Credits” which stipulates that each period of employment triggers a benefit right unit. Each of these units is assessed separately in order to obtain the final obligation.

Calculations include hypotheses on mortality, staff turnover and a prediction of future salaries. A readjustment rate based on the average duration of this commitment is applied. These evaluations are made once every year for all the plans.

> Actuarial gains and losses for commitments or the financial assets of the plan are generated by changes in hypotheses or experience differences (differences between what was planned and what actually happened).

> These differences are recorded in the income statement using the “corridor” method. Thus any actuarial gains and losses that exceed 10% of the defined benefit obligation or the fair value of plan assets, whichever is greater, are recorded. They are amortized over the remaining average service period of the employees concerned by the plan.

External funds can be called up to cover pension commitments, including the unrecognized part of the actuarial gains and losses because of their deferment. It may therefore be the case that financial assets exceed the estimated commitments thus generating the recognition of a financial asset in the balance sheet. Recognition of this asset is nevertheless limited to the aggregate:

- of net actuarial losses and the cost of the unrecognized past service period,
- and the adjusted value of economic value of benefits that come from reimbursements the plan or an expected reduction future contributions.

c. Other long-term subsequent benefits

Provisions are made for certain other long-term benefits which are determined using an actuarial calculation that is comparable to that used for pension provisions.

For Vilmorin & Cie, these benefits mainly correspond to bonuses that accompany “work medals” for long-service and severance pay at retirement, and concern almost exclusively the French companies.

d. Presentation of the balance sheet and the income statement

The total amount of provisions calculated for employee benefits appear on the balance sheet in the line “Provisions for employee benefits” because of their long-term nature.

In the income statement the charge representing the evolution of these commitments is recorded in the operating result.

1.17 – Provisions (IAS 37)

a. General principle

IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” defines the rules applicable to provisions.

It is mandatory to record a provision in cases where:

- > It is intended to meet a current, legal or implicit obligation.
- > This obligation exists at the date of the close of the fiscal year.
- > It is probable or certain that settlement will lead to an out-flow of resources to a third party.
- > A reliable evaluation of the provision can be made.

These provisions are estimated taking into account the most probable hypotheses at the closing date of the accounts.

b. Application to Vilmorin & Cie

Within the normal conditions of its activity Vilmorin & Cie is subject to various risks (commercial litigation, reorganization, fiscal litigation, social litigation, etc.). It applies the following rules:

(b1) – Provisions for reorganization

Provisions for the cost of reorganization programs are made in full during the fiscal year in which an irreversible obligation for Vilmorin & Cie arises with regard to third parties. This obligation is the result of a decision taken by the invested management authority and materialized before the end of the closing date by informing the third parties concerned.

The amount of the provision mainly includes the following costs:

- severance pay,
- early retirement benefits,
- unworked period between notice given and termination of contract,
- training of employees laid off,
- other costs linked to the closing of sites.

Disposal of fixed assets, impairment of inventories and other assets that are the direct result of reorganization costs are also recorded in the reorganization costs.

(b2) – Provisions for litigation (commercial, fiscal, intellectual property, etc.)

These litigations are assessed individually and/or based on a statistical estimate of the litigations observed for similar cases bearing in mind what is known at the end of the fiscal year.

Moreover, in order to ensure better management control of the certain specific risks (in particular contractual responsibility, litigation concerning intellectual property and also certain risks with regard to damages), Vilmorin & Cie has set up a captive reinsurance company. This company sets out provisions in accordance with the general rules presented above.

(b3) – Presentation in the accounts

Except in particular justified cases, provisions are presented in the balance sheet in the current liabilities.

1.18 – Government grants (IAS 20)

In compliance with IAS 20, Vilmorin & Cie records government grants in the balance sheet on the line “Deferred income” and includes them in the income for the useful life of the assets for which they were received.

Government grants received for fixed assets that cannot be depreciated (land) are directly recorded in income for the fiscal year, when they cannot be linked to an asset that is depreciated. If they can be linked to a depreciated asset, they are depreciated at the same rhythm as this asset.

1.19 – Deferred taxes (IAS 12)

In compliance with IAS 12, deferred taxes are calculated for all temporary differences (except for goodwill) between the tax base and the book value of the assets and liabilities. The main items taken into account for this purpose are:

- > consolidation restatement showing a divergence between book value and tax base (special tax exemption, lease agreements, margins on inventory, income from sales of inter-group fixed assets, retirement benefits, etc.),

> recognized evaluation differences in the case of business combinations to the extent they concern clearly identified and controlled assets,

> the differences between the book value and tax base for certain assets based on favorable fiscal systems such as the provisions for mergers in France.

The balance sheet approach to the variable carry forward method is applied and the effects of taxable rate modifications are recorded in the income for the fiscal year during which the change in rate is fixed.

Deferred tax assets are recorded in the balance sheet to the extent that it is probable that they can be recovered in later years. Assessment of the capacity of Vilmorin & Cie to recover these assets in particular depends on the following criteria:

- > future forecasts of fiscal results,
- > the share of exceptional charges must not be renewed in the future and included in past losses,
- > the net liabilities position can, in certain circumstances, be reduced in accordance with fiscal deficits carried forward reasonably recordable in consideration.

With respect to IAS 12, deferred tax assets and liabilities are not readjusted. Depending on the case, they are presented in the balance sheet as non-current assets or liabilities.

1.20 – Accounts payable

Debts that concern the normal operating cycle are recorded on the line “Accounts payable” for the fair value fixed at the initial evaluation and then adjusted for the cost of depreciation/amortization for subsequent evaluations.

1.21 – Financial instruments (IAS 32 and IAS 39)

a. Unconsolidated participation securities and other non-current financial assets

In compliance with IAS 39 “Financial instruments”, the participation securities in unconsolidated companies are considered to be available for sale and are therefore recorded at their fair value which is determined in the following conditions:

- > For listed securities, the fair value corresponds to the stock market value.
- > For other securities whose fair value in general cannot be determined reliably, the securities are recorded at cost price less any losses in value.

Variations in fair value are recorded directly in equity. If there is an objective indication of impairment of the financial asset concerned, an irreversible impairment is recorded in income. Write-back of the provision in the income will only come into play when the securities are sold.

Loans are recorded at amortized cost price. They can be amortized if there is an objective indication of any loss in value. Any impairment corresponding to the difference between the book value and the recoverable amount is recorded in the income, and is irreversible if evolution is favorable in the future.

In cases where loans, advance payments or other medium- or long-term receivables do not receive interest, or if the interest rate is lower than market rates, the assets are adjusted in accordance with the real interest rate.

At each close, an examination of the portfolio of unconsolidated securities and other financial assets is made in order to assess the objective indications of a loss in value of these assets. Where necessary, any impairment is recorded in the accounts.

b. Accounts receivable

Medium- or long-term receivables that do not receive interest are adjusted in the conditions described above in paragraph 1.21.a.

c. Recording financial assets and derivatives

Vilmorin & Cie applies the following principles:

(c1) – Derivatives

Vilmorin & Cie uses derivatives to manage and reduce its exposure to currency exchange risks.

The accounting principles applicable to forward cover instruments for foreign currency are presented above in paragraph 1.9.

Financial instruments for forward cover of interest rates are recorded in the accounts at their fair forward value. Financial liabilities covered by interest rate swaps are reassessed at the fair value of the loan linked to the evolution of interest rates. Variations in fair value are recorded in the income of the period concerned by the symmetrical variations of the rate swaps for their efficient part.

(c2) – Recording of sales options granted to certain minority shareholders

Vilmorin & Cie has granted redemption commitments for their minority participations to the minority shareholders of a certain number of its consolidated subsidiaries.

These commitments may take the form of an option to sell or a firm redemption commitment at a date fixed in advance.

In IFRS standards, until there is interpretation provided by the IFRIC, or a specific IFRS standard, the following accounting procedure has been provisionally adopted:

> When initially recorded in the accounts, the redemption commitment of the minority participation is recorded as a financial debt, at the adjusted value of the price of the option or firm redemption commitment, in consideration of the minority interests and, for any remaining amount, as acquisition goodwill.

> Any subsequent variation in the value of the commitment is recorded as an adjustment of the amount accounted for as acquisition goodwill.

> Where appropriate, when the initial commitment and its subsequent variations are recorded, the anticipated loss for the redemption value is recorded in "Other financial costs".

> When the commitment reaches its term, if the redemption has not been exercised, any previous recordings are cancelled. If the redemption is exercised, there is a reverse entry of the payment made for the redemption of the minority participation to compensate for the amount appearing as a financial debt.

(c3) – Conditional advanced payments

Conditional advanced payments appear in accordance with IFRS principles on the line "Deferred income". They are included in the income if the funded programs concerned fail.

(c4) – Loan issue costs

Costs incurred by the issue of loans are, in accordance with IAS 39, recorded at the book value of the loans concerned. These costs are recorded as charges for the full duration of the loan using the effective interest rate method.

d. Financial debts - Compound instruments

Certain financial instruments include both a financial debt component and an equity component.

In order to respect IAS 32, the different components of these instruments are recorded in equity and financial debts in respective proportions.

The component classified as financial debts is evaluated on date of issue. It corresponds to the future agreed cash-flow value adjusted to the market rate of a similar instrument with the same conditions, but without an option of conversion or redemption as shares.

1.22 – Accounts payable

In cases of deferred interest-free payment greater than one year, rules for adjustment are applied in compliance with the principles presented above in paragraph 1.21.

1.23 – Cash and cash equivalents – Investment securities

a. Cash and cash equivalents

In accordance with IAS 7 “Cash-flow statement”, the line “Cash and cash equivalents” appearing in the balance sheet includes:

- > cash and bank in hand,
- > short term investments that are liquid and easily convertible into a determinable amount of cash with negligible risk and variation in value,
- > current accounts recoverable at short notice.

Investments at more than three months without the possibility of an anticipated exit, and bank accounts carrying restrictions (blocked accounts) are excluded from cash-flow. Overdrafts assimilated to funding instruments are also excluded from cash-flow.

b. Investment securities

In compliance with IAS 39 “Financial instruments” investment securities are evaluated at their fair value. No investment is analyzed as being held all the time until its due date. The manner in which investment securities are recorded in accounts depends on the aim of the operations:

- > For investment held for purposes of transaction, variations in fair value are systematically recorded in income.
- > For investments available for sale, variations in fair value are recorded directly in the equity, or in the income where there is an objective indication of impairment that is greater than the temporary impairment of the security concerned.

1.24 - Amortization/Depreciation of intangible and tangible assets

The book values of Vilmorin & Cie’s intangible and tangible assets are examined at the close of each fiscal year in order to assess whether there is any indication that an asset has lost value. If there are any such indications, the recoverable amount of the asset is assessed (using the method described hereafter).

For goodwill, intangible fixed assets with an undefined useful life, or intangible fixed assets which are not yet ready to be put into service, the recoverable amount is assessed at least once per year.

A loss in value is recorded if the book value of an asset or its Cash Generating Unit is higher than its recoverable amount. Losses in value are recorded in the income statement.

A loss in value recorded for a Cash Generating Unit is first of all recorded as a reduction in the book value of all the goodwill allocated to the Cash Generating Unit (or group of units), and then to a reduction in the book value of the other assets of the unit (or group of units) in proportion to the book value of each asset in the unit (or group of units).

a. Calculation of the recoverable amount

The recoverable amount of intangible assets is the highest amount between their fair value less selling costs and their going concern value. In order to assess the going concern value, estimated future cash flows are adjusted to a pre-tax rate that reflects the market’s current appreciation of the time value of money and specific asset risks. For an asset which does not generate independent cash entries, the recoverable amount is determined by the Cash Generating Unit to which the asset belongs.

b. Write-back of the loss in value

Loss of value recorded as goodwill cannot be written back. Loss of value recorded for another asset is written back if there has been a change in the estimates used to determine the recoverable amount. The book value of an asset which has been increased because of the write-back of a loss in value cannot be greater than the book value that would have been determined, net of amortizations, if no loss of value had been recorded.

1.25 – Breakdown of assets and liabilities into current / non-current

a. General principle

The provisions of IAS 1 state that assets and liabilities must be classified as either “current” or non-current”.

b. Application to Vilmorin & Cie

Vilmorin & Cie has adopted the following rules to classify the main aggregate amounts of the balance sheet:

- > Assets and liabilities that form part of the working capital needs of a normal business operating cycle are classified:
 - as “current” if the realization of the assets or the liquidation of the liabilities is expected to occur within one year following the closing date or if they are held for the purposes of trading.
 - as “non-current” in all other cases.

- > Fixed assets are classified as "non-current".
- > Provisions that are part of the normal operating cycle are classified as "current".
- > Provisions for employee benefits are classified as "non-current" bearing in mind the long-term horizon of such commitments.
- > Financial debts are classified as "current" and "non-current" depending on whether their due dates fall in less than one year or more than one year after the closing date.
- > Deferred taxes are all presented as "non-current" assets or liabilities.

1.26 – Revenue from ordinary activities

a. General principle

Revenue from ordinary activities is presented in IAS 18.

This revenue comprises the sale of products, goods and services produced as part of Vilmorin & Cie's main business activities and also income from royalties and operating licenses.

b. Application to Vilmorin & Cie

Income is recorded for in the sales when the company has transferred the important risks and advantages inherent in the property of the goods to the purchaser. The transfer date generally corresponds:

- > For sold goods and products to the date they are made available to the customers.
- > For services this depends on the extent to which the service has been rendered on closing date, and if its income can be considered to be reliable.
- > For royalties, income is recorded in accordance with the provisions of the contract which generally stipulate calculation based on sales or quantities sold by the licensor.

These royalties generally correspond to the remuneration of licenses for proprietary plant varieties or parental lines.

- > Revenue from ordinary operations includes: the sales of products and services, royalties received from commercial activities.

From this revenue a certain number of items are deducted:

- payments on accounts, discount for early pick-up,
- returns of goods and products,
- end of year discount,
- retroactive discount to distributors, where relevant.

1.27 – Income per share

The basic income per action is calculated on the basis of the weighted average number of shares in circulation over the financial year.

The average number of shares in circulation is calculated on the basis of the different valuations of the shareholders' stock, corrected, where appropriate, for the group's internally held shares.

The diluted income per share is calculated by dividing the group share of the income by the number of ordinary shares in circulation to which is added all the dilutive potential ordinary shares.

Note 2 - Consolidation scope

1 – Consolidation scope

On June 30th 2006, Vilmorin & Cie consolidated 54 companies in accordance with the rules set out in paragraph 1.5 of the "Accounting methods and principles in IFRS standards".

	06.30.06	06.30.05
By global integration	48	45
By proportional integration	4	5
By the equity method	2	2
Total	54	52

A detailed list of the consolidated companies can be found on page 81.

Variations in scope occurring during the fiscal year 2005-2006 were as follows:

- > Consolidation of new companies:
VCC Japan, Mikado Holding International, Mikado Seed Growers.
- > Sale of the company Ferry Morse.

Moreover, the company CHMT which was consolidated by proportional integration is now globally integrated.

2 – Information concerning variations in consolidation scope

The most significant operations occurring during the fiscal year 2005-2006 had the following consequences:

The entry of Mikado Seed Growers on May 1st 2006.

Date of entry in the scope	May 1 st 2006
% acquired	
> Over the fiscal year	34.3%
> Previously	20.0%
> Total held	54.3%
Consolidated method adopted	IG
Acquisition price of the shares	
> Over the fiscal year	2.2 M€ = 300.0 MY
> Previously	0.6 M€ = 80.0 MY
> Total held	2.8 M€ = 380.0 MY
Repercussions on the balance sheet (in M€)	
> Fixed assets	10.3
> Working capital needs	- 6.7
> Provisions for liabilities and charges	- 1.4
> Net indebtedness / cash	- 0.3
> Minority interests	- 1.5
> Acquired shareholders' equity	2.2
Positive acquisition goodwill	1.8

The sale of Ferry Morse, which was deconsolidated on July 7th 2005, had the following repercussions:

In millions of euros	06.30.06	06.30.05
Revenue from ordinary activities	-	33.7
Operating income	-	2.2
Financial income	-	- 0.3
Income taxes	-	- 0.3
Net result from discontinued operations	5.5	-
Net income	5.5	1.6

The net income from the sale of Ferry Morse securities includes a charge of income taxes of 4.5 million euros.

3 – Comparability of the income statements

In order to compare the results with comparable scope a pro-forma statement for 2004-2005 has been established in the following conditions:

> In order to neutralize the impact of currency variations, the income statement for June 30th 2005 has been restated by applying the average rate for June 30th 2006.

> In order to neutralize variations in scope:

- The company Ferry Morse which left the scope on July 1st 2005 has been included in discontinued operations on June 30th 2006.

- The companies entering the scope 30.06.2006 (namely VCC Japan, Mikado Holding International, Mikado Seed Growers) have been added to the income statement on June 30th 2005.

- The company Kyowa Seed has been consolidated by proportional integration at 40% for 9 months and by global integration at 100% for 3 months for the previous fiscal year, whereas it is consolidated at 100% for the full fiscal year 2005-2006. The 60% missing for 9 months have been added onto the previous fiscal year.

In millions of euros	Variation %	05-06	04-05 pro-forma
Revenue from ordinary activities	1.8	497.5	488.7
Operating income	22.4	52.5	42.9
Income from continuing operations	28.2	43.7	34.1
Income from discontinued operations	x 3.4	5.5	1.6
Total consolidated net income	37.8	49.2	35.7

Note 3 - Segment information

1 – General principles

The rules applicable to the presentation of segment information are defined in paragraph 1.7 of the "Accounting methods and principles in IFRS standards".

The breakdown adopted by Vilmorin & Cie includes two levels of information:

- > a first level according to business segment,
- > a second level according to geographic area.

2 – Information according to business segment

Vilmorin & Cie is organized and managed in two main segments:

> the Professional vegetables activity,

> the Home Garden vegetables activity.

Each of the columns in the tables presented below contains the figures for each segment, with each being considered as a separate entity. The column “Eliminations” shows balance sheet and inter-segment operations cancellations.

2.1 – Information concerning fiscal 2005-2006

In millions of euros	Professional Vegetables	Home Garden Vegetables	Holdings and others	Inter-segment eliminations (2)	Unallocated	Total
Revenue from ordinary activities	357.5	149.1		- 9.1	0.0	497.5
Operating income	56.0	5.7	- 9.2		0.0	52.5
Income from continuing operations	45.8	2.3	23.5	- 27.9	0.0	43.7
Income from discontinued operations	0.0	5.5	0.0	0.0	0.0	5.5
Total consolidated net income	45.8	7.8	23.5	- 27.9	0.0	49.2

In millions of euros	Professional Vegetables	Home Garden Vegetables	Holdings and others	Inter-segment eliminations (3)	Unallocated (1)	Total
Non-current assets	246.0	28.7	13.8	- 0.9		287.6
Current assets	307.7	99.7	52.8	- 22.5		437.7
Total Assets	553.7	128.4	66.6	- 23.4	0.0	725.3
Equity					370.4	370.4
Non-current liabilities	55.2	15.9	27.8			98.9
Current liabilities	164.5	98.5	16.0	- 23.0		256.0
Total Liabilities	219.7	114.4	43.8	- 23.0	370.4	725.3

2.2 – Information concerning fiscal 2004-2005

In millions of euros	Professional Vegetables	Home Garden Vegetables	Holdings and others	Inter-segment eliminations (2)	Unallocated	Total
Revenue from ordinary activities	311.1	156.4	- 0.1	- 11.5	0.0	455.9
Operating income	46.3	5.9	- 10.5		0.0	41.7
Income from continuing operations	33.0	1.8	22.1	- 23.7	0.0	33.2
Income from discontinued operations (4)	0.0	1.6	0.0	0.0	0.0	1.6
Total consolidated net income	33.0	3.4	22.1	- 23.7	0.0	34.8

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In millions of euros	Professional Vegetables	Home Garden Vegetables	Holdings and others	Inter-segment eliminations (3)	Unallocated (1)	Total
Non-current assets	231.8	32.7	17.5	- 1.4		280.6
Current assets	291.9	128.5	44.9	- 26.2		439.1
Total Assets	523.7	161.2	62.4	- 27.6	0.0	719.7
Equity					341.6	341.6
Non-current liabilities	49.6	20.1	30.7			100.4
Current liabilities	160.6	119.5	24.8	- 27.2		277.7
Total Liabilities	210.2	139.6	55.5	- 27.2	341.6	719.7

(1) Unallocated equity corresponds to the securities of consolidated companies.

(2) Eliminations correspond to sales between activity groups.

(3) Inter-segment eliminations correspond to the assets and liabilities between activity groups, particular with regard to cash, loans and financial debts.

(4) Restatement for comparison with the sale of Ferry Morse.

3 – Information according to geographic area

This information is available in Note 4 “Revenue from ordinary activities”.

Note 4 - Revenue from ordinary activities

1 – Analysis by nature

In millions of euros	Variation %	05-06	04-05
Sales of goods and finished products	1.3	494.2	487.7
Sales of services	70.6	2.9	1.7
Royalties received	x 2	0.4	0.2
Total	+ 1.6	497.5	489.6

The rules applied for the recording and evaluation of revenue from ordinary activities appear in paragraph 1.26 of the “Accounting methods and principles in IFRS standards”.

2 – Analysis by geographic area

The geographic breakdown of sales of goods and finished products is as follows:

In millions of euros	Variation %	05-06	04-05
Europe	- 1.7	296.8	302.0
Americas	- 15.2	86.9	102.5
Asia	79.9	59.0	32.8
Middle East	- 1.0	28.4	28.7
Africa	7.7	16.7	15.5
Oceania	3.2	6.4	6.2
Total	1.3	494.2	487.7

3 – Analysis by profit

The breakdown of sales of finished goods into product families is as follows:

In millions of euros	05-06
Forage and lawn seeds	7.7
Other field seeds	10.5
Vegetable and flower seeds	330.6
Home Garden products	63.5
Other products	81.9
Total	494.2

4 – Revenue from ordinary activities at constant exchange rate

At constant exchange rate for the previous fiscal year the revenue from ordinary activities would have come to 492.6 million euros, an increase of 0.6%.

Note 5 - Personnel costs

1 – Evolution of personnel costs

In millions of euros	05-06	04-05
Gross salaries	97.4	97.5
Social charges	29.7	35.5
Legal profit-sharing	9.5	3.4
Total	136.6	136.4

2 – Further information

Bearing in mind the seasonal nature of its business Vilmorin & Cie releases information on its permanent headcount and its average annual headcount.

2.1 – Average annual headcount

Analysis France/Non-France

	05-06	04-05
France	1 354	1 350
Non-France	1 670	1 715
Total	3 024	3 065

Analysis by employee status

	05-06	04-05
Management	679	729
Non management	2 345	2 336
Total	3 024	3 065

2.2 – Permanent headcount at the end of the fiscal year

Analysis France/Non-France

	05-06	04-05
France	1 207	1 189
Non-France	1 607	1 682
Total	2 814	2 871

Analysis by employee status

	05-06	04-05
Management	760	747
Non management	2 054	2 124
Total	2 814	2 871

Analysis by function

	05-06	04-05
Administration	400	412
Research	568	545
Agronomic production and factory	945	1 016
Sales and marketing	901	898
Total	2 814	2 871

Note 6 - Provisions for the depreciation and amortization of tangible and intangible fixed assets

Movements on provisions

In millions of euros	05-06	04-05
Provisions for intangible fixed assets		
> Development programs	- 23.1	- 20.9
> Other intangible fixed assets	- 4.5	- 3.7
Total	- 27.6	- 24.6
Provisions for tangible fixed assets	- 10.1	- 9.5
Total	- 37.7	- 34.1

Note 7 - Research and development costs and studies

1 – Evolution of costs

In millions of euros	05-06	04-05
Development programs activated during the fiscal year	28.4	24.6
Provisions for the amortization of development programs recorded as fixed assets	- 23.1	- 20.9
Other research costs	- 44.6	- 38.0
Total	- 39.3	- 34.3

Vilmorin & Cie records the cost of its development programs as intangible assets in the conditions set out in paragraph 1.10 of the "Accounting methods and principles in IFRS standards".

Other research costs are recorded directly as charges for the fiscal year.

2 – Further information

The impact of the activation of development programs on the result for the year is as follows:

In millions of euros	05-06	04-05
Costs identified and recorded as intangible fixed assets (cf. Note 14)	28.4	24.6
Provisions for amortization	- 23.1	- 20.9
Impact on the result of the fiscal year before deferred taxes	5.3	3.7

It is important to note that out of a total investment of 44.6 million euros research and development, only 28.4 million euros met the criteria set out in paragraph 1.10 of the “Accounting methods and principles in IFRS standards”. It should also be noted that there was a 6.6 million euros progression of research and development costs linked to the 100% integration of Kyowa Seed for a 12 month period and also to an increase in research costs.

Effect of activation on the cash flow table:

In millions of euros	05-06	04-05
Effect on the income for the period	5.3	3.7
Effect on amortization and depreciation	23.1	20.9
Effect on the cash flow	28.4	24.6
Effect on the investment flows	28.4	24.6
Total	0.0	0.0

Note 8 - Other operating income

1 – Evolution of other operating income

In millions of euros	05-06	04-05
Litigation	- 1.8	- 2.8
Income from the sale of fixed assets	3.9	- 0.1
Government subsidies recorded in the income	0.1	0.1
Streamlining costs	- 0.9	- 2.5
Loss of value on fixed assets	- 0.9	- 4.9
Other charges and income	- 1.3	- 4.1
Total	- 0.9	- 14.3

2 – Further information

2.1 – On operations for fiscal 2004-2005

The main tests for loss of value concerned:

Assets	Companies	Totals
Goodwill and intangible fixed assets	Miscellaneous	0.2
Tangible fixed assets	Flora Frey	4.7
Total		4.9

Litigations include, in particular, a provision of 1.2 million euros made by the reinsurance captive company Cylonie (cf. Note 25: “Other current provisions”).

Streamlining costs concern the Flora Frey group with a total of 2.6 million euros.

2.2 – On operations for fiscal 2005-2006

Streamlining costs mainly concern Oxadis.

Losses in value concerned Flora Frey’s goodwill for a value of - 0.9 million euros.

Income from the sale of assets comprises a brand name and a plot of land respectively for 2.4 million euros and 1.5 million euros.

Note 9 - Interest costs

Evolution

In millions of euros	05-06	04-05
Interest on loans and bank overdrafts	- 4.7	- 5.7
Interest on financial leasing agreements	- 0.5	- 0.6
Total interest costs	- 5.2	- 6.3

Note 10 - Other financial income and charges

1 – Evolution

In millions of euros	05-06	04-05
Gains or losses on the sales of securities and dilution profits	- 1.9	4.9
Interest received	0.8	1.4
Fair value gains in financial assets available for sale	-	0.2
Provisions for the amortization of securities and other financial assets	2.0	0.7
Exchange gains/losses	0.1	0.9
Other financial gains and losses	0.5	0.1
Total net income	1.5	8.2

2 – Further information

2.1 – On operations for fiscal 2004-2005

Gains on sales of securities mainly involve:

In millions of euros	04-05
The consequences of the reorganization of the stock in the company BioSeeds	5.9
Other operations	- 1.0
Total	4.9

2.2 – On operations for fiscal 2005-2006

Losses on sales of securities involve:

In millions of euros	05-06
Income from the sale of Exelixis securities by the company American Bio Corporation	- 1.7
Other operations	- 0.2
Total	- 1.9

Note 11 - Income taxes

1 – Evolution

In millions of euros	05-06	04-05
Current income taxes		
Taxes	- 10.9	- 15.0
Tax relief	3.0	2.3
	- 7.9	- 12.7
Deferred taxes	1.2	0.8
Total	- 6.7	- 11.9

The rules applied for the recording of deferred taxes are described in paragraph 1.19 of the "Accounting methods and principles in IFRS standards".

Sources of deferred taxes are the result both of temporary differences between the tax base and the book value of assets and liabilities, and the recording of deferred tax assets dependent on forecasts of future tax results and on the net liabilities position.

2 – Further information

2.1 – Evolution of income taxes

This evolution was marked by several phenomena:

> A drop of 4.1 million euros tax relief resulting from:
- savings resulting from various fiscal integration operations. Certain tax deficits generated during the fiscal year were used,
- tax reductions linked to a drop in the taxable income in some subsidiaries.

> A rise in our tax relief of 0.7 million euros due to the application of new fiscal measures to encourage research.

> A rise of 0.4 million euros in deferred taxes mainly due to changes in the notional amounts and the deferred taxation rates during the fiscal year.

2.2 – Fiscal integration operations

The following fiscal integration scope was set up in Vilmorin & Cie between different French companies.

Integrating companies	Member companies	Effective Date
Vilmorin & Cie	Clause Tézier SA	1 st July 2000
	Oxadis SA	1 st July 2000

The provision for such fiscal integration programs is described in article 223 A of the French General Taxation Code for parent companies and their French subsidiaries controlled at least 95%.

Moreover, there is also a fiscal integration group in the United States:

Integrating companies	Member companies
American Bio Corporation	Vilmorin INC
	Harris Moran Seeds

2.3 – Current taxes

The charge of current taxes corresponds to the total taxes on profits owed to the tax authorities for the fiscal year in accordance with the rules and taxation rates in force in different companies.

A tax relief system in favor of research exists in France and in certain other companies. The amount of this relief is deducted from the taxes due.

2.4 – Tax rate applicable

a. The basic rate for income (corporation) tax in France is 33.33%.

The law on the funding of social security n° 99-1140 of December 29th 1998 fixed an additional contribution of 3.3% of the total basic tax due when payable taxes are greater than 763 000 euros. Thus, for French companies, the legal tax rate is increased by 1.1%.

Finance law n° 2004-1484 of December 30th 2004 decided to progressively drop the additional contribution whose total amount had, since 2002, been fixed at 3% of the basic sum due. The contribution fell to 1.5% on January 1st 2005 and was dropped in 2006.

As a result, total tax rate applicable to Vilmorin & Cie is as follows:

- Fiscal 2004-2005: 33.83%
- Fiscal 2005-2006: 33.33%

b. A comparison between the recorded income tax charge and the theoretical income tax charge is as follows:

As a %	05-06 (1)	04-05
Theoretical tax rate	- 33.33	- 33.83
Non-deductible charges and other non-taxable profits	6.87	- 1.29
Tax relief	5.45	4.96
Untaxed income deficits, tax base and rate differentials	8.68	4.20
True tax rate	- 12.33	- 25.96

(1) Does not take into account income tax on discontinued operations.

2.5 – Information on tax deficits

On June 30th 2006, the situation of tax deficits for Vilmorin & Cie was as follows:

In millions of euros	Total deficits France	Other	Usable deficits France	Other
Deficits with limited carry forward	-	1.5	-	1.5
Deficits with unlimited carry forward	-	5.7	-	5.7
Long-term capital losses	7.0	-	-	-
Total	7.0	7.2	-	7.2

Deferred tax assets corresponding to the total deficits, and not recorded in the accounts, amount to 2.6 million euros.

Note 12 - Income per share

The group share income for one share is calculated on the basis of the number of Vilmorin & Cie shares in circulation at the closing date for the fiscal year.

The income considered for this calculation takes into the fact that sales options granted to certain minority shareholders of Vilmorin & Cie's subsidiaries are treated as minority interests.

The evolution of this income for one share is as follows:

In euros	05-06	04-05
Group share in continuing operations	38 305 089	32 300 464
Group share in discontinued operations	5 509 302	0
Group share in the consolidated income	43 814 391	32 300 464
Number of Vilmorin & Cie shares (1)	9 566 979	9 566 979
Income from continuing operations for one share	4.0	3.4
Income from discontinued operations for one share	0.6	0.0
Income for one share	4.6	3.4

(1) Income per share has been calculated on the basis of the new number of shares, namely 9 566 979 shares, including the operation concluded in fiscal 2004-2005 following the division of the nominal value by three in December 2005.

Dividends paid out per share:

Dividends distributed	05-06
Amount distributed	15 466 616.05 €
Details	1.62 € x 9 566 979 shares
Dividends distributed	04-05
Amount distributed	14 669 367.80 €
Details	1.53 € x 9 566 979 shares

Note 13 - Goodwill

1 – Evolution of net book values

1.1 – Gross values

In millions of euros	Total
On July 1st 2004	24.8
Acquisitions and increases	-
Exits	-
Losses in value	-
Variations in scope and others	0.4
Currency translations	0.1
Reclassifications	- 1.5
On June 30th 2005	23.8
Acquisitions and increases	1.5
Exits	-
Losses in value	-
Variations in scope and others	1.3
Reclassifications	1.4
Currency translations	- 0.3
On June 30th 2006	27.7

1.2 – Amortization and value losses

In millions of euros	Total
On July 1st 2004	4.7
Provisions	-
Exits	-
Losses in value	-
Variations in scope and others	-
Currency translations	-
On June 30th 2005	4.7
Provisions	0.9
Exits	-
Losses in value	-
Variations in scope and others	-
Reclassification	-
Currency translations	-
On June 30th 2006	5.6

1.3 – Net values

In millions of euros	Total
On July 1 st 2004	20.1
On June 30 th 2005	19.1
On June 30th 2006	22.1

2 – Analysis by business segments

In millions of euros	06.30.06 (Net)	06.30.05 (Net)
Professional	16.0	12.2
Home Garden	5.2	6.0
Others	0.9	0.9
Total	22.1	19.1

3 – Further information

3.1 – Amortization and value loss tests

A value loss test has been performed in compliance with the methodology described in paragraph 1.24 of the “Accounting methods and principles in IFRS standards”. Evolution was as follows:

In millions of euros	Total
On July 1st 2004	4.7
Fiscal 2004-2005	-
On 30th June 2005	4.7
Fiscal 2005-2006	0.9
On 30th June 2006	5.6

Value loss for fiscal 2005-2006 concerns goodwill on the acquisition of new Flora Frey securities.

3.2 – Variations in scope

Variations in scope concern the following operations:

In millions of euros	Total
Fiscal 2004-2005	
Change in the consolidation method of Kyowa Seed	0.4
Total	0.4
Fiscal 2005-2006	
Acquisition of Mikado Seed Growers (1)	2.0
Sale of Ferry Morse	- 0.7
Total	1.3 (2)

(1) It should be noted that this allocation is provisional until the end of a 12-month period in accordance with IFRS 3.

(2) The totals take account of changes in gross values and amortization.

Note 14 - Other intangible fixed assets

1 – Evolution of net book values

1.1 – Gross values

In millions of euros	Development costs	Germ-plasm	Software	Patents licenses	Brands	Other intangible fixed assets	Current fixed assets	Total
On July 1st 2004	80.1	48.8	17.7	13.2	40.0	0.9	0.3	201.0
Acquisitions and increases	24.6	0.5	0.9		0.1		0.1	26.2
Exits								
Variations in scope and others	0.8	2.9	0.2			0.1		4.0
Currency translations	0.4		0.1					0.5
Reclassification		1.4	2.9		0.2			4.5
On June 30th 2005	105.9	53.6	21.8	13.2	40.3	1.0	0.4	236.2
Acquisitions and increases	28.4		1.2			0.6	0.2	30.4
Exits			- 0.2			- 0.3		- 0.5
Variations in scope and others		2.8	- 0.3					2.5
Currency translations	- 2.0	- 1.5	- 0.3		- 0.3			- 4.1
Reclassification		- 1.4	0.5	- 0.8			- 0.4	- 2.1
On June 30th 2006	132.3	53.5	22.7	12.4	40.0	1.3	0.2	262.4

1.2 – Amortization and value losses

In millions of euros	Development costs	Germ-plasm	Software	Patents licenses	Brands	Other intangible fixed assets	Current fixed assets	Total
On July 1st 2004	38.4	1.7	6.6	7.3	1.0	0.6		55.6
Provisions	20.9		2.6	0.9		0.2		24.6
Exits								
Value losses								
Variations in scope and others	0.2		0.2					0.4
Currency translations	0.4							0.4
Reclassification		0.9	0.8		0.1			1.8
On June 30th 2005	59.9	2.6	10.2	8.2	1.1	0.8	0.0	82.8
Provisions	23.1		3.5	0.8		0.2		27.6
Exits			- 0.2			- 0.3		- 0.5
Value losses								
Variations in scope and others			- 0.3					- 0.3
Currency translations	- 1.2	- 0.1	- 0.1					- 1.4
Reclassification				- 0.8				- 0.8
On June 30th 2006	81.8	2.5	13.1	8.2	1.1	0.7	0.0	107.4

1.3 – Net values

In millions of euros	Development costs	Germ-plasm	Software	Patents licenses	Brands	Other intangible fixed assets	Current fixed assets	Total
On July 1 st 2004	41.7	47.1	11.1	5.9	39.0	0.3	0.3	145.4
On June 30 th 2005	46.0	51.0	11.6	5.0	39.2	0.2	0.4	153.4
On June 30th 2006	50.5	51.0	9.6	4.2	38.9	0.6	0.2	155.0

2 – Further information

2.1 – Internally generated fixed assets

In addition to development programs whose evolution is tracked above, movements concerning internally generated fixed assets are as follows:

In millions of euros	Software	Total
On July 1st 2004 (Net value)	2.7	2.7
New fixed assets	-	-
Provisions for amortization	- 0.7	- 0.7
On June 30th 2005 (Net value)	2.0	2.0
New fixed assets	-	-
Currency translations	- 0.1	- 0.1
Provisions for amortization	- 0.9	- 0.9
On June 30th 2006 (Net value)	1.0	1.0

2.2– Value loss test

A value loss test has been conducted in accordance with the methodology described in paragraph 1.24 of “Accounting methods and principles in IFRS standards”. The evolution is as follows:

In millions of euros	Germplasm	Brands	Total
On July 1st 2004	0.5	1.0	1.5
Fiscal 2004-2005	0.9	-	0.9
On June 30th 2005	1.4	1.0	2.4
Fiscal 2005-2006	-	-	-
On June 30th 2006	1.4	1.0	2.4

The provision made during fiscal 2004-2005 concerns the company Harris Moran Seeds.

2.3 Variations in scope

Variations in scope concern the following operations:

In millions of euros	Total
Fiscal 2004-2005	
Change in the consolidation method of Kyowa Seed	3.6
Total	3.6
Fiscal 2005-2006	
Acquisition of Mikado Seed Growers	2.8
Total	2.8

Note 15 - Tangible assets

1 – Evolution of net book values

1.1 – Gross values

In millions of euros	Land and fittings	Constructions and fittings	Complex installations	Industrial equipment	Office equipment	Other tangible fixed assets	Current fixed assets	Total
On July 1st 2004	13.7	83.9	29.8	45.9	7.2	16.3	6.1	202.9
Acquisitions and increases	0.2	2.0	2.1	2.0	0.3	1.2	4.4	12.2
Exits	- 0.7	- 0.3	- 0.8	- 0.5	- 0.2	- 0.9	- 0.1	- 3.5
Variations in scope and others	1.7	2.5		0.9		0.7		5.8
Currency translations				0.2		- 0.1		0.1
Reclassification	0.9	2.9		- 0.6	- 0.5	0.8	- 6.3	- 2.8
On June 30th 2005	15.8	91.0	31.1	47.9	6.8	18.0	4.1	214.7
Acquisitions and increases	0.3	1.0	1.6	1.8	0.2	1.4	6.2	12.5
Exits	- 0.7	- 1.5	- 0.2	- 0.8	- 0.4	- 0.5		- 4.1
Variations in scope and others	3.9	3.1		- 1.8	- 0.4	0.5		5.3
Currency translations	- 0.6	- 1.7	- 0.1	- 0.7	- 0.2	- 0.5	- 0.1	- 3.9
Reclassification		1.9	1.0	1.6	0.3		- 5.4	- 0.6
On June 30th 2006	18.7	93.8	33.4	48.0	6.3	18.9	4.8	223.9

1.2 – Amortization and value losses

In millions of euros	Land and fittings	Constructions and fittings	Complex installations	Industrial equipment	Office equipment	Other tangible fixed assets	Current fixed assets	Total
On July 7th 2004	0.7	42.4	21.6	35.5	4.5	11.2		115.9
Provisions	0.1	3.2	1.7	2.6	0.8	1.1		9.5
Exits		- 0.2	- 0.7	- 0.4	- 0.3	- 0.8		- 2.4
Value losses		4.7						4.7
Variations in scope and others		1.8		0.7		0.5		3.0
Currency translations			- 0.1	0.1	0.1	- 0.1		0.0
Reclassification		0.2	- 0.9	- 1.2	0.4	1.1		- 0.4
On July 1st 2005	0.8	52.1	21.6	37.3	5.5	13.0	0.0	130.3
Provisions	0.1	3.7	1.8	2.6	0.6	1.3		10.1
Exits		- 1.1	- 0.2	- 0.7	- 0.4	- 0.4		- 2.8
Value losses								0.0
Variations in scope and others		2.1		- 1.4	- 0.4	0.4		0.7
Currency translations		- 0.9	- 0.1	- 0.5	- 0.2	- 0.4		- 2.1
Reclassification		- 0.4	- 0.1	0.2				- 0.3
On July 1st 2006	0.9	55.5	23.0	37.5	5.1	13.9	0.0	135.9

1.3 – Net values

In millions of euros	Land and fittings	Constructions and fittings	Complex installations	Industrial equipment	Office equipment	Other tangible fixed assets	Current fixed assets	Total
On July 1 st 2004	13.0	41.5	8.2	10.4	2.7	5.1	6.1	87.0
On June 30 th 2005	15.0	38.9	9.5	10.6	1.3	5.0	4.1	84.4
On June 30th 2006	17.8	38.3	10.4	10.5	1.2	5.0	4.8	88.0

2 – Further information

2.1 – Leased fixed assets

Leased fixed assets represent the following values (Net value):

In millions of euros	Land and fittings	Constructions and fittings	Complex installations	Industrial equipment	Office equipment	Total
On July 1 st 2004	1.8	10.2	0.3	-	-	12.3
On June 30 th 2005	1.8	4.9	0.3	-	-	7.0
On June 30th 2006	1.8	4.4	0.2	0.1	0.1	6.6

2.2 – Value loss test

A value loss test has been conducted in accordance with the methodology described in paragraph 1.24 of “Accounting methods and principles in IFRS standards”. The evolution is as follows:

In millions of euros	Constructions and fittings	Total
On July 1st 2004	-	-
Fiscal 2004-2005	4.7	4.7
On June 30th 2005	4.7	4.7
Fiscal 2005-2006	-	-
On June 30th 2006	4.7	4.7

The provision made mainly concerns the company Flora Frey.

2.3 – Variation in scope

Variations in scope concern the following operations (Net of amortization):

In millions of euros	Total
Fiscal year 2004-2005	
Change in consolidation method of Kyowa Seed	2.8
Total	2.8
Fiscal year 2005-2006	
Acquisition of Mikado Seed Growers	5.4
Sale of Ferry Morse	- 0.8
Total	4.6

Note 16 - Financial assets

1 – Evolution of net book values

1.1 – Gross values

In millions of euros	Financial assets available for sale	Other non-current financial assets	Loans and other receivables	Total
On July 1st 2004	5.2	4.8	4.1	14.1
Increases	1.8	3.0	1.0	5.8
Exits	- 2.0	- 0.2	- 3.2	- 5.4
Variations in scope and others	0.2	0.3		0.5
Currency translations				0.0
Reclassification			0.7	0.7
On June 30th 2005	5.2	7.9	2.6	15.7
Increases			19.0	19.0
Exits	- 3.7	- 0.6	- 18.6	- 22.9
Variations in scope and others	1.9		0.6	2.5
Currency translations	- 0.3		- 0.1	- 0.4
Reclassification	- 1.2			- 1.2
On June 30th 2006	1.9	7.3	3.5	12.7

1.2 – Provisions

In millions of euros	Financial assets available for sale	Other non-current financial assets	Loans and other receivables	Total
On July 1st 2004	3.3		0.5	3.8
Provision				
Write back	- 0.2		- 0.5	- 0.7
Value losses				
Variations in scope and others	0.1			0.1
Currency translations				
Reclassification	0.1			0.1
On June 30th 2005	3.3	0.0	0.0	3.3
Provision	0.2			0.2
Write back	- 2.2			- 2.2
Value losses				0.0
Variations in scope and others	0.2		0.4	0.6
Currency translations	- 0.1			- 0.1
Reclassification	- 1.2			- 1.2
On June 30th 2006	0.2	0.0	0.4	0.6

1.3 – Net values

In millions of euros	Financial assets available for sale	Other non-current financial assets	Loans and other receivables	Total
On July 1 st 2004	1.9	4.8	3.6	10.3
On June 30 th 2005	1.9	7.9	2.6	12.4
On June 30th 2006	1.7	7.3	3.1	12.1

2 – Further information

2.1 – Financial assets available for sale

Non-consolidated equity interests appear on this line. They are evaluated in compliance with the rules described in paragraph 1.24.a of the “Accounting methods and principles in IFRS standards”.

The contents of this item are set out hereafter.

In millions of euros	Totals on 06.30.06		Totals on 06.30.05		Financial data in last known balance sheet	
Companies	% held	Net	% held	Net	Equity	Results
Exelixis	-	-	-	1.6	sold	
Mikado Seed Growers	20.00	-	20.00	-	consolidated	
Chiba Kogyo Bank	-	1.3	-			
Miscellaneous	-	0.4	-	0.3		
Total		1.7		1.9		

2.2 – Other non-current financial assets

This line mainly comprises a guarantee of 7 million euros (7.6 million euros on June 30th 2005) deposited by the company Cylonic in the conditions explained in Note 30 concerning off balance sheet commitments.

2.3 – Variation in scope

Variations in scope correspond to the following operations (Net of provisions):

In millions of euros	Total
Fiscal 2004-2005	
Change in the consolidation method of Kyowa Seed	0.4
Total	0.4
Fiscal 2005-2006	
Acquisition of Mikado Seed Growers	1.9
Total	1.9

Note 17 - Equity shares

1 – Details of equity shares

In millions of euros	06.30.06	06.30.05	07.01.04
Anadolu	3.9	3.5	2.2
BioSeeds	2.9	2.5	2.0
Total	6.8	6.0	4.2
Variation for the fiscal year	0.8	1.8	

2 – Further information

In millions of euros	05-06	04-05
Proportion of income for the fiscal year	1.6	0.9
<i>Anadolu</i>	1.2	0.7
<i>BioSeeds</i>	0.4	0.2
Variation in scope, variation in percentages of interest and others	0.0	0.5
<i>Anadolu</i>	-	0.2
<i>BioSeeds</i>	-	0.3
Currency translations	- 0.8	0.4
Total	0.8	1.8

Note 18 - Inventories

1 – Evolution of net book values

In millions of euros	Totals on 06.30.06			Totals on 06.30.05			Totals on 07.01.04		
	Gross	Provisions	Net	Gross	Provisions	Net	Gross	Provisions	Net
Raw materials and other supplies	37.3	- 3.6	33.7	40.8	- 3.5	37.3	30.9	- 3.7	27.2
Production in progress	22.6	- 3.0	19.6	23.8	- 3.1	20.7	23.4	- 3	20.4
Goods	53.2	- 3.9	49.3	50.8	- 4.7	46.1	43.4	- 4.1	39.3
Finished products	84.6	- 22.5	62.1	83.4	- 20.2	63.2	74.5	- 16.4	58.1
Total	197.7	- 33.0	164.7	198.8	- 31.5	167.3	172.2	- 27.2	145.0
Variation for the financial year			- 2.6			22.3			

2 – Further information

> Variations for the fiscal year correspond to the following items:

In millions of euros	05-06	04-05
Variation in scope (Net of provisions)	- 2.2	5.9
Variation of gross values	4.9	19.4
Variation of provisions including:	- 1.6	- 4.1
<i>New provisions</i>	- 19.3	- 18.9
<i>Provisions used</i>	17.2	14.5
<i>Provisions written back</i>	0.5	0.3
Currency translations	- 3.7	1.1
Total	- 2.6	22.3

> Variations in scope concern:

In millions of euros	Total
Fiscal 2004-2005	
Acquisition of Holland Agri Seeds	0.1
Change in the consolidation method of Kyowa Seed	5.8
Total	5.9
Fiscal 2005-2006	
Acquisition of Mikado Seed Growers	4.3
Sale of Ferry Morse	- 6.6
Change in consolidation method (CHMT)	0.1
Total	- 2.2

> Provisions are made in accordance with the methods described in paragraph 1.13 of the "Accounting methods and principles in IFRS standards". Their evolution, as a percentage of the gross value of inventory was as follows:

- on July 1st 2004: 15.8%,
- on June 30th 2005: 15.8%,
- on June 30th 2006: 16.7%.

Note 19 - Trade receivables

1 – Evolution of net book values

In millions of euros	06.30.06	06.30.05	07.01.04
Customer receivables	162.2	167.1	149.2
Advance payments to suppliers	2.4	2.5	3.1
Personnel and social security	0.8	0.9	0.2
Tax receivables	8.0	9.2	4.3
Other operating receivables	6.6	6.3	5.8
Prepayments	8.0	6.2	7.0
Gross total	188.0	192.2	169.6
Customer receivables	- 7.0	- 6.6	- 6.7
Other operating receivables	- 0.1	- 0.1	-
Total provisions	- 7.1	- 6.7	- 6.7
Net book values	180.9	185.5	162.9
Variation for the fiscal year	- 4.6	22.6	

2 – Further information

> Variations for the fiscal year include the following main items:

In millions of euros	05-06	04-05
Variation in scope (Net of provisions)	- 7.4	13.4
Variation in provisions including:	- 0.2	0.7
New provisions	- 2.7	- 1.9
Provisions used	2.3	2.1
Provisions written back	0.2	0.5
Other variations	7.2	7.7
Currency translations	- 4.2	0.8
Total	- 4.6	22.6

> Variations in scope concern:

In millions of euros	Total
Fiscal 2004-2005	
Change in the consolidation method of Kyowa Seed	13.2
Acquisition of Holland Agri Seeds	0.2
Total	13.4
Fiscal 2005-2006	
Acquisition of Mikado Seed Growers	4.4
Sale of Ferry Morse	- 11.8
Total	- 7.4

> Vilmorin & Cie pursued its securitization program for receivables through the company Oxadis. Since the conditions fixed by IFRS standards to deconsolidate this operation were not met, the corresponding receivables were retained in the consolidated balance sheet in the following conditions:

In millions of euros	06.30.06	06.30.05
Receivables retained in the balance sheet	26.8	25.9
Cancellation of the guarantee deposit made when the receivables were sold	- 4.5	- 5.0
Corresponding increase of the current financial indebtedness	22.3	20.9

Note 20 - Cash and cash equivalents

1 – Evolution of fair values

In millions of euros	06.30.06	06.30.05	07.01.04
Financial current accounts	29.4	26.9	28.8
Placement securities held for purposes of transaction	32.9	26.8	4.1
Cash and bank in hand	29.8	32.6	44.9
Total	92.1	86.3	77.8
Variation for the fiscal year	5.8	8.5	

The evaluation rules applicable for this line are described in paragraph 1.23 of the "Accounting methods and principles in IFRS standards".

2 – Further information

Analysis of the variations for the fiscal year:

In millions of euros	Total
Fiscal 2004-2005	
Variation in scope	1.5
<i>Change in the consolidation method of Kyowa Seed</i>	1.5
Variation in fair value	0.2
Currency translations	0.4
Other variations	6.4
Total	8.5
Fiscal 2005-2006	
Variations in scope	- 1.0
<i>Acquisition of Mikado Seed Growers</i>	1.3
<i>Sale of Ferry Morse</i>	- 2.3
Variations	8.2
Currency translations	- 1.4
Total	5.8

Note 21 - Shareholders' equity – Group share

1 – Composition of the shareholders' equity – Group share

In millions of euros	06.30.06	06.30.05	07.01.04
Parent stock	145.9	145.9	145.9
Issue premium	29.3	29.3	29.3
Parent legal reserve	6.5	5.5	4.9
Other reserves and parent carry forward	17.8	13.7	16.6
Consolidation reserve	84.2	72.4	53.3
Currency translation reserve	- 4.7	1.5	
Income for the fiscal year	43.8	32.3	31.1
Total	322.8	300.6	281.1
Variation for the fiscal year	22.2	19.5	

Variations for the fiscal year are analyzed in the table "Variations in consolidated equity" on page 80.

2 – Further information

Vilmorin & Cie's stock comprises 9 566 979 shares, each with a nominal value of 15.25 euros. Over the course of the fiscal year 2005-2006, the nominal value of the share was reduced from 45.75 to 15.25 euros, since the number of shares in circulation have been multiplied by 3.

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 cast as many votes as the number of shares he or she owns or represents, without any limits.

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 - Shareholders' equity – Minority interests

1 – Composition of shareholder's equity – Minority interests

In millions of euros	06.30.06	06.30.05	07.01.04
Consolidation reserve	43.6	38.4	35.1
Currency translation reserve	- 1.4	0.1	
Income for the fiscal year	5.4	2.5	1.5
Total	47.6	41.0	36.6
Variation for the fiscal year	6.6	4.4	

Variations for the fiscal year are analyzed in the table "Variations in consolidated equity" on page 80.

2 – Further information

Stocks options of the company Hazera

The company Hazera Genetics (Israel) has issued several stock options for the benefit of its personnel with the following general characteristics:

	06.30.06	06.30.05
Date of issue of the options	2002	2002
Option exercise deadline	Until 08.31.09	Until 08.31.09
Number of options issued	184 324	156 078
Number of options exercised to date	80 272	-
Number of options in circulation	104 052	156 078
Number of options that can be applied for	104 052	156 078
Exercise price per unit	20.60 NIS/share	18.90 NIS/share
Potential dilution of the group in the company	0.36%	0.54%

The impact of the above-described options on the financial situation of Vilmorin & Cie is not significant.

Note 23 - Provisions for employee benefits

Provisions for employee benefits are broken down as follows:

In millions of euros	06.30.06	06.30.05
Provisions for lump sums paid at retirement	7.5	7.0
Commitments for "work medal" bonuses and other benefits	0.4	0.5
Pension plans	12.5	13.2
Total	20.4	20.7
Including Provision for employee benefits (Non-current share)	19.7	20.1
Provision for employee benefits (Current share)	0.7	0.6
Total	20.4	20.7

The evaluation rules applied to this line are described in paragraph 1.16 of the "Accounting methods and principles in IFRS standards".

> Lump sums paid at retirement mainly concern French companies.

> Commitments for "work medal" bonuses and other benefits mainly concern French companies.

> There are also multi-employer plans which are accounted for in the same way as plans with defined contributions, since insufficient information is available to account for them otherwise.

1 – Evolution over the course of the fiscal year

The evolution of the true value of obligations with regard to defined contribution plans is as follows:

True value of the obligation at opening of balance sheet	58.8
Cost of Services rendered	2.7
Financial cost	2.7
Participants' contributions	0.2
Actuarial Losses (Gains)	- 3.3
Welfare services paid out	- 2.9
Cost of past Services	0.0
Variations in scope	- 0.7
Currency translations and other	- 1.7
Fair value of the obligation at close of balance sheet	55.8

Evolution of the fair value of the assets of defined contribution plans is as follows:

Fair value of forward assets at opening of balance sheet	34.5
Expected returns on assets	2.4
Actuarial differences	0.1
Employer contributions	3.0
Participant contributions	0.2
Welfare services paid for	- 2.4
Variations in scope	0.0
Currency translations and other	- 1.3
Fair value of forward assets at close of balance sheet	36.4

A comparison of balance sheet data with the actuarial obligation concerning defined contribution plans can be analyzed as follows on June 30th 2006:

In millions of euros	06.30.06	06.30.05
Updated value of the commitment	55.8	58.8
Fair value of assets of defined contribution plans	- 36.4	- 34.5
Deficit/(Excess)	19.4	24.3
Actuarial differences not recorded in the balance sheet	0.5	- 4.1
Costs of used services not yet recorded	- 0.1	- 0.1
Net recorded commitment	19.8	20.1
<i>Including Provision for pensions and similar schemes</i>	<i>20.0</i>	<i>20.2</i>
<i>Financial assets</i>	<i>- 0.2</i>	<i>- 0.1</i>
Total	19.8	20.1

2 – Recorded charge

The total recorded charge for defined contribution plans are broken down as follows:

In millions of euros	06.30.06	06.30.05
Cost of Services rendered	2.7	1.9
Financial cost	2.7	2.3
Expected returns on assets	- 2.4	- 2.0
Other charges	0.1	0.0
Recognized actuarial Losses (Gains)	0.1	0.1
Cost of past Services recognized	0.0	0.0
Effect of liquidations/ reductions	- 0.2	0.0
Recorded charge for defined contribution plans	3.0	2.3

3 – Actuarial hypotheses

The main actuarial hypotheses used to estimate Vilmorin & Cie's obligations are as follows:

Europe Zone

As a %	Europe Zone (Except United Kingdom)		United Kingdom Zone	
	2006	2005	2006	2005
Adjustment rate	4.25 to 4.75	5.2	5.4	4.9 to 5.2
Expected return on assets	4.0 to 4.75	7.0	5.75 to 7.5	5.8 to 7.0
Salaries progression rate	1.5 to 3.0	4.25	3.5	4.25
Pension fund inflation rate	1.5 to 3.0	2.75	3.0	2.75

Americas Zone

As a %	2006	Americas Zone 2005
Adjustment rate	6.25	5.35
Expected return on assets	9.0	9.0
Salaries progression rate	5.0	5.0
Pension fund inflation rate	0.0	0.0

Zone Middle East and Asia

As a %	Zone Middle East and Asia 2006	Zone Middle East and Asia 2005
Adjustment rate	1.5 to 3.9	4.0 to 5.2
Expected return on assets	2.2 to 2.5	7.0
Salaries progression rate	3.0	4.25
Pension fund inflation rate	0.0	2.75

4 – Geographic breakdown of rights

The geographic breakdown of the adjusted value of rights is as follows:

In millions of euros	06.30.06	06.30.05
France	5.2	5.4
Europe (Excluding France)	18.7	19.0
Americas	24.4	27.5
Middle-East	7.5	6.7
Others	0.1	0.2
Adjusted value of rights	55.8	58.8

Note 24 - Deferred taxes

1 – Evolution of book values

In millions of euros	Deferred taxes Assets	Deferred taxes Liabilities	Impact on the income
On July 1st 2004	4.5	36.8	-
Variations in scope	-	0.7	-
Variation influencing the income for the fiscal year	0.6	- 0.2	0.8
Reclassification and others	0.2	- 0.1	-
On June 30th 2005	5.3	37.2	0.8
Variations in scope	- 1.1	1.6	-
Variation influencing the income for the fiscal year	0.1	- 1.1	1.2
Reclassification	- 0.5	- 2.3	-
Currency translations	- 0.2	- 0.3	-
On June 30th 2006	3.6	35.1	1.2

The rules applied with regard to deferred taxes are described in paragraph 1.19 of the “Accounting methods and principles in IFRS standards”.

2 – Further information

Variations in scope

Variations in scope concern:

In millions of euros	Deferred taxes Assets	Deferred taxes Liabilities
Fiscal 2004-2005		
The change in the consolidation method for Kyowa Seed	-	0.7
Total	-	0.7
Fiscal 2005-2006		
Acquisition of Mikado Seed Growers	-	1.6
Sale of Ferry Morse	- 1.1	-
Total	- 1.1	1.6

Note 25 - Other current provisions

1 – Evolution of book values

In millions of euros	06.30.06	06.30.05	07.01.04
Commercial litigation	2.9	1.9	1.1
Other risks and litigation	5.5	5.4	3.5
Streamlining costs	2.6	4.5	2.3
Employee benefits	0.7	0.6	0.5
Total	11.7	12.4	7.4
Variation for the fiscal year	- 0.7	5.0	

The rules applied to provisions are described in paragraph 1.17 of the “Accounting methods and principles in IFRS standards”.

2 – Further information

> Variations for the fiscal year include the following items:

In millions of euros	Total
Fiscal 2004-2005	
Variations in scope	1.0
Variation of provisions	3.3
<i>Provisions for the fiscal year</i>	6.5
<i>Write-back used</i>	- 2.3
<i>Write-back not used</i>	- 0.9
Reclassification	0.5
Currency translations	0.2
Total	5.0
Fiscal 2005/2006	
Variations in scope	0.6
Variation of provisions	- 1.1
<i>Provisions for financial year</i>	5.0
<i>Write-backs used</i>	- 5.6
<i>Write-backs not used</i>	- 0.5
Currency translations	- 0.2
Total	- 0.7

> Variations in scope concern the following operations:

In millions of euros	Total
Fiscal 2004-2005	
Change in the consolidation method of Kyowa Seed	1.0
Total	1.0
Fiscal 2005-2006	
Acquisition of Mikado Seed Growers	0.6
Total	0.6

> The line "Other provisions for risks and liabilities" includes provisions made by the captive reinsurance company Cylonie which have evolved as follows:

In millions of euros	Total
On July 1st 2004	1.3
Provisions for the fiscal year 2004-2005	1.2
On June 30th 2006	2.5
Provisions for the fiscal year 2005-2006	0.8
On June 30th 2006	3.3

Note 26 - Current and non-current financial debts

1 – Composition of the financial debts

1.1 – Non-current financial debts

In millions of euros	06.30.06	06.30.05	07.01.04
Bank loans	25.6	28.0	44.7
Minority redemption commitments	3.5	5.4	2.6
Lease/hire purchase	9.0	9.5	10.4
Other financial debts	6.0	0.1	0.2
Total	44.1	43.0	57.9
Variation for the fiscal year	1.1	- 14.9	

1.2 – Current financial debts

In millions of euros	06.30.06	06.30.05	07.01.04
Bank loans	100.3	91.3	74.4
Lease/hire purchase	0.9	0.8	0.8
Current accounts	16.0	29.8	19.1
Other financial debts	-	-	0.1
Interest incurred	0.1	0.5	0.5
Total	117.3	122.4	94.9
Variation for the fiscal year	- 5.1	27.5	

1.3 – Net financial indebtedness

Financial indebtedness, net of cash and bank in hand has evolved as follows:

In millions of euros	06.30.06	06.30.05	07.01.04
Non-current financial debts	44.1	43.0	57.9
Current financial debts	117.3	122.4	94.9
Cash and bank in hand (1)	- 92.1	- 86.3	- 77.8
Net financial debts	69.3	79.1	75.0
Variation for the fiscal year	- 9.8	4.1	

(1) Cf. Note 20.

The rules applied for recording financial debts are described in paragraphs 1.21.c, 1.21.d and 1.25 of the "Accounting methods and principles in IFRS standards".

2 – Further information

2.1 – Analysis of the evolution of the financial debt

> The main variations in financial indebtedness are as follows:

In millions of euros	Non-current financial debts	Current financial debts	Total
On July 1st 2004	57.9	94.9	152.8
Increase	2.8	11.2	14.0
Decrease	- 6.1	- 2.5	- 8.6
Variation in scope	0.1	7.6	7.7
Reclassification	- 10.9	10.4	- 0.5
Currency translations	- 0.8	0.8	-
On June 30th 2005	43.0	122.4	165.4
Increase	6.1	-	6.1
Decrease	- 3.4	- 6.3	- 9.7
Variation in scope	2.0	-	2.0
Reclassification	- 3.5	3.5	-
Currency translations	- 0.1	- 2.3	- 2.4
On June 30th 2006	44.1	117.3	161.4

> Variations in scope concern:

In millions of euros	Non-current financial debts	Current financial debts	Total
Fiscal 2004-2005			
Change in consolidation method of Kyowa Seed	0.1	7.6	7.7
Total	0.1	7.6	7.7
Fiscal 2005-2006			
Acquisition of Mikado Seed Growers	2.0	-	2.0
Total	2.0	-	2.0

2.2 – Due dates for the financial debts

In millions of euros	Due Dates			Total
	< 1 year	1 to 5 years	> 5 years	
On June 30th 2005				
> Non-current financial debts				
Bank loans	-	17.4	10.6	28.0
Minority redemption commitments	1.9	0.7	2.8	5.4
Debts on lease/hire purchase	-	4.2	5.3	9.5
Other financial debts	-	0.1	-	0.1
Total	1.9	22.4	18.7	43.0
> Current financial debts				
	122.4	-	-	122.4
Total	124.3	22.4	18.7	165.4
On June 30th 2006				
> Non-current financial debts				
Bank loans	-	25.3	0.3	25.6
Minority redemption commitments	-	0.7	2.8	3.5
Debts on lease/hire purchase	-	3.6	5.4	9.0
Other financial debts	-	6.0	-	6.0
Total	-	35.6	8.5	44.1
> Current financial debts				
	117.3	-	-	117.3
Total	117.3	35.6	8.5	161.4

2.3 – Breakdown of loans by nature of rates

The breakdown is as follows:

In millions of euros	Non-current financial debts	Current financial debts	Total
On June 30th 2005			
Financial debts with fixed rate	35.4	11.5	46.9
Financial debts with variable rate	7.6	110.9	118.5
Total	43.0	122.4	165.4
On June 30th 2006			
Financial debts with fixed rate	33.6	22.9	56.5
Financial debts with variable rate	10.5	94.4	104.9
Total	44.1	117.3	161.4

Note 27 - Accounts payable

1 – Evolution of the book values

In millions of euros	06.30.06	06.30.05	07.01.04
Suppliers and other accounts payable	64.7	62.2	47.6
Debts on the acquisition of fixed assets	4.8	4.2	1.8
Advanced payments received from customers	2.1	11.0	5.2
Social security	23.8	24.6	25.4
Taxes	5.5	5.8	7.1
Other operating debts	21.7	29.5	30.0
Other non-operating debts	3.8	4.7	5.5
Total	126.4	142.0	122.6
Variation for the fiscal year	- 15.6	19.4	

The rules applied for recording accounts receivable are described in paragraph 1.20 of the “Accounting methods and principles in IFRS standards”.

2 – Further information

> The variation for the fiscal year includes the following items:

In millions of euros	05-06	04-05
Variations in scope	- 0.1	10.2
Other variations	- 11.4	8.8
Currency translations	- 4.1	0.4
Total	- 15.6	19.4

> Variations in scope:

In millions of euros	Total
Fiscal year 2004-2005	
Change in the consolidation method of Kyowa Seed	9.9
Acquisition of Holland Agri Seeds	0.3
Total	10.2
Fiscal year 2005-2006	
Acquisition of Mikado Seed Growers	13.7
Sale of Ferry Morse	- 13.8
Total	- 0.1

> Almost all the debts for suppliers and accounts payable are due within one year.

> The other operating debts mainly include balances to pay to customers concerning the close of operations at the end of the campaign (inventory returns, end of year discount).

Note 28 - Deferred income

1 – Evolution of book values

In millions of euros	06.30.06	06.30.05	07.01.04
Total	0.6	0.9	1.2
Variation for the fiscal year	- 0.3	- 0.3	

The rules applicable are described in paragraph 1.18 of the “Accounting methods and principles in IFRS standards”.

2 – Further information

> This line includes almost exclusively the government subsidies.

> Movements for the fiscal year involve the following items:

In millions of euros	05-06	04-05
Subsidies written back into the income	0.1	0.1
Others	0.2	0.2
Total	0.3	0.3

Note 29 - Financial instruments

1 – Financial instruments appearing on the balance sheet

In millions of euros	06.30.06		06.30.05	
	Value on the balance sheet	Fair value	Value on the balance sheet	Fair value
Financial assets	12.4	12.4	12.4	12.4
Customers and other receivables (1)	172.9	172.9	176.3	176.3
Cash and cash equivalents	92.1	92.1	86.3	86.3
Total Assets	277.4	277.4	275.0	275.0
Non-current financial debts	44.1	44.1	43.0	43.0
Suppliers and other payables (1)	121.1	121.1	136.2	136.2
Deferred income	0.6	0.6	0.9	0.9
Current financial debts	117.3	117.3	122.4	122.4
Total Liabilities	283.1	283.1	302.5	302.5

(1) Excluding fiscal receivables and debts.

The rules applied appear in paragraphs 1.9 and 1.21 of the “Accounting methods and principles in IFRS standards”.

3 – Information concerning foreign currency risks

> Assets and liabilities broken down according to the main foreign currencies:

In millions of euros	Euro zone	American dollar	Pound sterling	Australian dollar	Yen	Shekel	Other currencies	Total
On June 20th 2005								
Financial assets (1)	247.9	77.1	11.4	5.5	13.5	-	87.7	443.1
Financial liabilities (1)	133.8	65.6	6.0	0.8	13.8	-	53.2	273.2
Differential	114.1	11.5	5.4	4.7	- 0.3	-	34.5	169.9
On June 30th 2006								
Financial assets (1)	325.1	74.5	12.8	3.4	47.3	49.9	13.8	526.8
Financial liabilities (1)	180.4	33.8	6.6	0.8	37.7	22.0	6.5	287.8
Differential	144.7	40.7	6.2	2.6	9.6	27.9	7.3	239.0

(1) This concerns all items on the balance sheet that are exposed to foreign currency risks, except goodwill, inventory and deferred taxes.

2 – Further information

2.1 – Exchange risks

Vilmorin & Cie manages its currency positions with the objective of covering the risks of fluctuation of minority parities, mainly in relation to its industrial and commercial operations.

For this purpose, a procedure to mutualize currency exchange risks has been set up in Vilmorin & Cie. This position mainly consists in taking out contracts with a fixed term.

2.2 – Interest rate risks

In order to limit the risks linked to variations in interest rates, Vilmorin & Cie can set up forward policies mainly in forward contracts on interest rates (SWAP).

> Information on the nominal value of forward cover instruments:

In millions of euros	Nominal	Due dates		
		< 1 year	1 to 5 years	> 5 years
On June 30th 2005				
Forward exchange contracts	2.6	2.6	-	-
Exchange options	-	-	-	-
Total	2.6	2.6	-	-
On June 30th 2006				
Forward exchange contracts	4.3	4.3	-	-
Exchange options	-	-	-	-
Total	4.3	4.3	-	-

> Information on the value of the forward cover instruments:

In millions of euros	Total
On June 30th 2005	
Contracts on commercial transactions	
Fair value hedge	
Cash flow hedge	
Contracts on financial operations	
Fair value hedge (1)	NS
On June 30th 2006	
Contracts on commercial transactions	
Fair value hedge	
Cash flow hedge	
Contracts on financial operations	
Fair value hedge (1)	NS

(1) The intrinsic value of contracts on June 30th 2006 is not significant.

4 – Information concerning interest rate risks

> Assets and liabilities broken down according to interest rate risks:

In millions of euros	Nominal	Due dates		
		< 1 an	1 to 5 years	> 5 years
On June 30th 2005				
Assets	41.9	40.0	0.2	1.7
Liabilities	129.1	98.6	17.4	13.1
Differential	- 87.2	- 58.6	- 17.2	- 11.4
On June 30th 2006				
Assets	40.1	38.4	0.4	1.3
Liabilities	161.3	117.2	35.6	8.5
Differential	- 121.2	- 78.8	- 35.2	- 7.2

> Information on the nominal value of forward cover instruments:

Vilmorin & Cie does not have any financial instrument concerning interest rate risks.

Note 30 - Off balance sheet commitments

For its current operations, Vilmorin & Cie made commitments at the close of the fiscal year for the following amounts:

1 – Guarantees received

In millions of euros	06.30.06	06.30.05
Endorsements, sureties, guarantees	1.3	0.1
Other commitments	-	-
Total	1.3	0.1

2 – Guarantees

In millions of euros	06.30.06	06.30.05
Endorsements, sureties, guarantees	9.5	11.1
Other commitments	0.8	0.5
Total	10.3	11.6

Endorsements, sureties, and guarantees given involve a letter of intent for the annual payment of rent covering the remaining duration of the long-term commercial lease (25 years) of the company Suttons for 8.7 million euros (9.5 million euros on June 30th 2005).

3 – Reciprocal commitments

In millions of euros	Nominal	Due dates		
		< 1 year	1 to 5 years	> 5 years
On June 30 th 2005				
Lease agreements	0.8	0.3	0.5	-
Simple rental agreements	16.6	3.5	5.4	7.7
Forward purchasing of currency (1)	2.6	2.6	-	-
Other commitments	0.2	0.2	-	-
Total	20.2	6.6	5.9	7.7
On June 30 th 2006				
Lease agreements	0.7	0.4	0.3	-
Simple rental agreements	17.3	5.5	5.6	6.2
Forward purchasing of currency (1)	4.3	-	4.3	-
Other commitments	1.9	1.7	0.2	-
Total	24.2	7.6	10.4	6.2

(1) Cf. Note 29.

4 – Debts with real sureties

In millions of euros	Debts guaranteed	Total amount of sureties granted	Book value of the assets provided as a guarantee
On June 30 th 2005	34.8	71.3	71.7
On June 30th 2006	31.4	71.0	71.0

5 – Commitment of the company Cylonie

As part of a captive set-up, the reinsurance company Cylonie 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. To date, 18 million US dollars have been used.

As a surety for this commitment, it set up a cash pledge to a third party holder for the value of 14.7 million US dollars on June 30th 2006 (18.3 million US dollars on June 30th 2005). The proportion of the sum integrated into the scope of Vilmorin & Cie appears on the balance sheet in the line "Financial assets", a total of 7 million euros (7.6 million euros on June 30th 2005).

> It also received a reinsurance commitment issued by a third party reinsurance company for a maximum amount of 30 million US dollars on June 30th 2006 (30 million US dollars on June 30th 2005) for a period that expires on June 30th 2009.

In addition, Cylonie has widened its cover to include insurance for damages and operating loss.

Note 31 - Transactions between interested parties

1 - Associated companies

These are companies held between 20% and 50% in which Vilmorin & Cie exerts significant influence and which are consolidated using the equity method.

Transactions with associated companies are carried out on the basis of a market price.

The debts and receivables with regard to companies consolidated using the equity method are not significant.

2 – Interested parties with a significant influence on Vilmorin & Cie

The company Vilmorin & Cie is held by its majority shareholder Groupe Limagrain. The economic relationships developed with the companies in this Group are summarized in the table below:

Receivables and debts on June 30th 2006

In millions of euros	Assets	Liabilities
Operating debts and receivables	0.3	1.3
Financial debts and receivables	29.4	15.9
Total	29.7	17.2

Charges and income for the fiscal year

In millions of euros	Charges	Income
Purchases and sales of goods	- 3.7	0.7
Corporate allocations	- 12.2	-
Other operating charges and income	- 0.4	-
Financial charges and income	-	0.4
Total	- 16.3	1.1

3 – Further information

Corporate allocations

Corporate allocations are billed by Groupe Limagrain to the subsidiaries of Vilmorin & 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 12.2 millions euros compared to 11.8 euros for the previous year.

Cash-flow agreements

Companies in Vilmorin & Cie 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 32 - Events occurring after the close of the fiscal year 2005-2006

1 – Incorporation of the field seeds division

On July 3rd 2007 Vilmorin & Cie incorporated all the field seeds activity of Groupe Limagrain grouped under the control of the holding company Biofina. This operation was achieved through the contribution to Vilmorin & Cie, by Limagrain, of all the securities of the company Biofina, and was remunerated by the issue of 3 824 878 new shares; Vilmorin & Cie thus raised its capital to 204 225 819.25 euros. Documentation for this operation was submitted and approved by the Autorité des marchés financiers: Document E was registered on June 1st 2006 under n° E 06-079.

2 – Participation in Hazera Genetics

In July 2006, the group finalized acquisition of the stake held by Megadlei Zeraim Ltd in Hazera Genetics (Israel). As a consequence, Vilmorin & Cie raised its stake in the company to 90%.

3 – Strategic alliance with Avesthagen

In July 2006 Vilmorin & Cie announced that it had concluded a strategic alliance with the Indian biotechnology company Avestha Gengraine Technologies Pvt. Ltd (“Avesthagen”).

This agreement will, in the near future, lead to the creation of joint ventures with the aim of developing a vegetable and field seeds unit on the Indian market.

4 – Global agreement with the Danish seed company DLF

In September 2006 Vilmorin & Cie signed a global agreement with the Danish seed company DLF; Vilmorin has sold its forage and amenity grass businesses, and acquired the Innoseeds cereals businesses, with the two companies strengthening their commercial cooperation in Europe.

Vilmorin & Cie has taken control of the research, production and distribution of cereal seeds (mainly wheat and barley) run by Innoseeds, a subsidiary of DLF. This acquisition will enable Vilmorin & Cie to reinforce its European leadership in these activities.

The main countries covered commercially are Benelux, the United Kingdom, Germany, France, the Czech Republic and Slovakia. The research activities are mainly based in Holland and the Czech Republic.

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Statutory Auditors' report on the consolidated financial statements

Year ended June 30th 2006

To the Stockholders,

In compliance with the assignment entrusted to us by your Stockholders' annual general meeting, we have audited the accompanying financial statements of the company Vilmorin & Cie SA (formerly Vilmorin Clause & Cie SA), for the fiscal year June 30th 2005, as appended to this report.

The consolidated financial statements have been approved by your Board of Directors. Our role is to express an opinion on these financial statements based on our audit. For the first time, these statements have been prepared in accordance with the IFRS referential in the form adopted by the European Union. For the sake of comparison, they include data concerning the fiscal year closing on June 30th 2005 restated according to the same rules.

Opinion on the consolidated financial statements

We have 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 that the 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. We certify that the 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 IFRS referential as adopted in the European Union.

Justification of our appraisals

In application of the provisions of article L.823-9 of the French Commercial Code concerning the justification of our appraisals, we wish to draw your attention to the following points:

> We have appraised the method used by the company to record in the accounts sales options granted to certain minority shareholders which are not covered by the specific provisions of the IFRS referential as adopted by the European Union, and we have ensured that Note 1.21(c2) of the financial statements gives appropriate information in this matter.

> As part of our appraisal of the accounting principles followed by your company, we have examined the method adopted for recording development costs in the assets, and also for amortizing these development costs and checking their recoverable amount, and we have ensured that Note 7 provides appropriate information.

> At each close of fiscal year, the company systematically runs an impairment test on acquisition goodwill differentials and assets with an undefined useful life, and also appraises whether there is a value loss index for long-term assets, in accordance with the methods described in Note 1.24 of the financial statements. We have examined the way in which this impairment test was implemented and the cash-flow forecasts and hypotheses adopted, and checked that Notes 13 and 14 give appropriate information.

> Note 1.16 sets out the assessment procedures for pension commitments and other assimilated commitments. These commitments have been assessed by external actuaries. Our task consisted in examining the data used to review the calculations made, and to check that Note 23 of the financial statements provided appropriate information.

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.

Specific verification

We have also verified the information given in the group management report in accordance with the professional standards applicable in France. We have no comments as to its fair presentation and conformity with the financial statements.

Paris La Défense and Clermont-Ferrand, October 19th 2006

KPMG Audit
Département de KPMG SA
Catherine PORTA



Visas 4
Commissariat
Claude AUBERT



Glossary

Biological fight:

The fight against crop pathogens using their natural predators.

Biotechnology:

The application of science and engineering to the use of living organisms in their natural or modified forms.

Breeding/Selection:

Choosing the individuals with the best phenotypical characteristics for reproduction from a population of plants earmarked for improvement.

By extension: all the techniques used in plant improvement.

Canola:

Spring rape.

Coating (cf. pelleting):

Application of a special varnish to fix successive layers of different products to protect a seed against disease or parasites. The layers are finer than those used in pelleting.

Deep-freezing:

Process by which perishable goods can be frozen quickly to a very low temperature.

Fungicide:

Any pesticide used to control, deter, or destroy fungi, which are forms of plant life (including molds and yeasts) that lack chlorophyll and are unable to make their own food (such as the plant pathogen, powdery mildew).

Genealogical breeding:

Cross-breeding after analyzing the individuals with the best pedigree to pass down to future generations.

Genetic heritage:

An organism's set of genes.

Genetic resources:

Group of genes from various plant species.

Genetically modified organism (GMO):

Organism (plant, animal or micro-organism) whose genome has been voluntarily modified by man using a technique, transgenesis, combining in vitro culture and genetic engineering.

Genome:

All the genetic material in the chromosomes of a particular organism.

Genomics:

The study of genes, their resulting proteins, and the role played by the proteins in the body's biochemical processes.

Germplasm:

Genetic material or resources.

Hi-tech seeds:

Seeds coated or pelleted using physico-chemical technology.

Hybridization:

Conventional plant breeding method.

This method involves cross-fertilizing plants (parents) of the same species in order to obtain a plant (hybrid) bearing certain characteristics of the two varieties initially chosen. In theory the hybrid is more robust than its two parents.

Hygrometry:

The measurement or degree of humidity, especially of the atmosphere.

Lyophilize:

To freeze-dry (between - 40°C and - 80°C). The material is rapidly frozen and dehydrated under high vacuum. Technology used to preserve the most fragile compounds.

Molecular marking:

Following the presence or absence of a particular trait in a plant, by studying its genome (without the need to grow the plant to check whether the trait is present or absent).

Multiplication farmer:

Farmer specialized in large-scale multiplication or production of seed, with a view to selling the seed.

Organoleptic:

Relating to perception by or the use of a sensory organ.

Pelleting:

Technique whereby inert materials are added to change seed size and shape for improved planting.

Phenotype:

The outward appearance (structure) or other visible characteristics of an organism as determined by the DNA of its genotype.

Pollination:

The transfer of pollen from the male organ to the receptive part of the female flower (by insects, the wind, etc.).

Purity of Variety (POV):

Seeds with the same genetic heritage within the same variety.

Sales from proprietary varieties:

Sales made on varieties coming out of the research programs of Vilmorin & Cie.

Segment:

A homogeneous group of customers in their purchasing behavior (verb: to segment).

Sequencing:

1. The determination of the order in which the bases are arranged within a length of DNA.
2. Decyphering the genome letter by letter. These letters can then be combined to form words (genes).

Soil conditioner:

An organic material like humus or compost that helps soil absorb water, build a bacterial community, and take up mineral nutrients.

Substrate:

Mixture (soil, sand, compost, etc.) A surface on which an organism can be sown.

Trade marketing:

An approach shared both by manufacturers and distributors whose objective is to meet consumer needs and objectives, to improve their profitability and their competitive position, taking into account their mutual constraints and differences.

Traits:

The gene or genes providing the plant with resistance to various aggressions from pests, weed-killers, etc.

Transgenesis:

Integration into a living organism of a gene that confers upon the organism a new property that it will transmit to its descendants.

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