

Remarks by Léon Broers
at the Annual Shareholders' Meeting of KWS SAAT AG
on December 16, 2010

Dear shareholders, dear guests,

As we have already heard, 2009/2010 was again a year of growth. The same is true for research and development (breeding). We invested around €97.5 million, i.e. **€8 million or 9%** more than the year before. We expanded some activities and launched new ones. All in all, we tackled a wide variety of topics:

- Corn breeding in Europe and the US was expanded further.
- We began breeding corn in China.
- We launched a cooperation deal with BASF to develop yield genes in sugarbeet.
- The use of molecular markers was expanded in all crops.
- We are undertaking new work on sunflowers.
- “Wheat goes West”: We launched breeding activities in the US.
- We expanded our activities in the fields of technology management and bioinformatics.
- We have begun to expand our basic technologies.

That is an impressive list of new and growing activities.

Of course, it is important to know whether these activities will lead to success. In established breeding programs, success can be measured – by the number of variety approvals, market share or net sales, for instance. We obtained **274**

new approvals and are thus **in a good position** overall, although there is potential for improvement in relation to individual crops.

Because development cycles are so long in breeding, we have to apply different criteria to new and relatively new activities to be in a position to assess whether they will be a success. I would like to provide a few examples that I think will show we are on the right path.

This fiscal year saw a particularly pleasing development in regard to the resistance of **sugarbeet** to *Rhizoctonia solani*. The intensification of our breeding work on resistance to this pathogenic fungus over the past years has led for the first time to promising approvals for KWS varieties in this difficult segment. Sugarbeet infestation by *Rhizoctonia solani* is aided by damp, warm weather conditions and is currently on the increase worldwide. The consequence is yield loss or infested sugarbeet that can no longer be processed. In our sugarbeet breeding work, we developed the concept of **energy beet** a number of years ago. On the basis of this concept, we have begun developing varieties that can be used to produce biogas. This concept has proven its value sooner than expected and we have applied for approval for the first energy beet variety. We expect these beets to have a higher dry mass yield than conventional sugarbeet and thus to be particularly well suited for use in biogas plants. This would mean a great step forward in establishing sugarbeet as an energy plant.

We have been expanding our **corn breeding activities in Southeastern and Eastern Europe** for a number of years. In 2009 and 2010, we successfully established the new breeding program in Romania. We also set up our own testing structures in Russia and Ukraine. These two measures will enable us to decisively strengthen the breeding and testing of new varieties in Southeastern and Eastern Europe.

The progress we are making in the established **corn breeding programs for the southern regions of Europe** is very gratifying. These hybrids cover a total of some 60% of the European corn market. New, competitive hybrids are undergoing approval testing in France, Southeastern Europe and Italy, with very good results. These hybrids will improve our competitiveness in these key corn cultivation regions as of 2011.

We have also made more very good breeding progress in **North America**, the world's most important corn market, where the new commercial varieties are performance leaders in key market segments.

We have taken important steps in building up our **corn breeding operations in China**. First, we have established our service company in Hefei, which will allow us to develop our own varieties. Second, we have begun using new test locations. Third, we have created an efficient organization that enables us to make maximum use of synergies in conjunction with our corn breeding programs in Europe and the US. That goes for research as well as for the use of breeding material and the existing infrastructure.

One of the key objectives of our research is to optimize breeding, so research into **molecular markers** is becoming more and more important.

What are molecular markers?

Molecular markers are fragments of DNA sequences whose locations in the plant genome are known. They often correlate with important properties of plants. The goal of research is to find this correlation. They are similar to city limits signs, since they enable breeders to navigate through large plant populations and to select from a very early stage on only those plants that have certain desired characteristics – resistance to a certain disease, for example.

We have grown much stronger in this field. New high-throughput technologies have been introduced at our Marker Service laboratory so that molecular markers can be identified faster and more cheaply. We have strengthened our workforce engaged in research into sunflowers, potatoes and sugarbeet; and we have laid the foundation for greater use of molecular markers in rye.

However, the biggest advance has been in corn, here and worldwide. Thanks to the mapping of the corn genome and development of high-throughput processes, we are gaining completely new insight into the genetic makeup of this crop. As a result, we can pursue new approaches for using molecular markers in corn breeding even more efficiently.

It is truly fascinating to see what knowledge we have now been able to acquire thanks to technological leaps forward. Two examples:

- Did you know that two corn lines differ genetically more from each other than human beings and apes?

Or:

- Approximately 100 genes are missing from one of these lines?

Genetics surprises us time and again with its complexity, but also with the flexibility with which it shapes life. Genetic diversity takes on a completely new dimension as a result of these findings.

Today, however, our focus is on product development and breeding. We are now investigating new molecular marker applications that we expect will make breeding far more efficient. Initial promising tests have already been conducted with corn.

As we have seen, KWS continues to grow steadily. Since 2006, our R&D budget has increased by almost 50%. That is reflected in our many new employees, new buildings, a new greenhouse complex and higher expenses. I expect our research and breeding activities to grow significantly in the future so as to safeguard KWS' competitiveness. At the same time, our work is becoming more and more demanding:

- We increasingly work in an **international context**.
- We are confronted by more and more new **technologies** that are being developed faster and faster.
- There will logically always be more **interfaces** between the various departments and workgroups.

In this context, the greatest challenge for us is to retain the secret of our success (i.e. an **efficient** and **integrated** way of working, **entrepreneurial** thinking, **short decision-making paths**, **proximity** between research, breeding and services) as far as possible despite this growing complexity, and to strengthen them where possible. It is my conviction that KWS has a great advantage over the competition here and that, to build on this advantage, we need more transparent, more effective controlling of R&D, with as much as possible combined under one roof. We will take these considerations into account in implementing measures to achieve further growth. We have already taken the first steps by merging our **Institute – where breeding is organized – and our subsidiary PLANTA – where the service departments and research are focused** – so as to strengthen the close ties between research and breeding.

And speaking of growth, I would like to touch briefly on the **current fiscal year**. We will expand our research and development work further. Once again, the R&D budget will be **increased – by another €11 million to about €109 million**.

We will expand the project pursuing research of yield genes in **sugarbeet** and address new applications for molecular markers.

The main topics in relation to **corn** are:

- Adoption of new genetic engineering approaches.
- Expansion of breeding activities in late varieties (Southeastern Europe, Russia).
- Expansion of our US breeding programs.

Sunflower breeding will be expanded further and we will speed up the rapeseed breeding cycle. As to **cereals**, we intend to strengthen marker-based selection and establish breeding in the US. We also want to strengthen our position in transformation technologies and drive the establishment of our corn breeding activities for China.

As you can see, we are working dynamically to prepare KWS for the future!

And with that, I would like to conclude my remarks and thank all of you for your kind attention.

Check against delivery.

December 16, 2010

Léon Broers