

Remarks by Philip von dem Bussche
at the Annual Shareholders' Meeting of KWS SAAT AG
on December 16, 2010

Dear shareholders and friends of KWS,

On behalf of the Executive Board, I would like to welcome you to this year's Annual Shareholders' Meeting. The past fiscal year was influenced by the economic and financial crisis, which we have not yet put behind us. At the moment, we can see signs of recovery, but also major political and economic risks. These changes have had a significant influence on global agricultural markets – and thus directly on KWS' business. In this calendar year alone, agricultural prices have now almost doubled from their lows of early 2010. The effects of economic trends, but especially the strong fluctuations in weather conditions and prices, have resulted in an increasingly **cyclical fluctuation** in our core business in the past years. Every farmer around the world is now directly affected by this sharply fluctuating agricultural cycle – the 500,000 ha integrated agriculture operation in Russia, our corn and soybean customers in the Midwest of the US, the family-owned enterprise in Germany and the hundreds of millions of family farmers in China and India.

Globalization has been a reality for years for plant breeders, and that includes us here at Einbeck in Southern Lower Saxony, too. It instills fear in many people because they perceive growing uncertainty as a threat. However, that view overlooks the other side of the coin: The opportunities for an export-oriented country like Germany, the growing importance of agriculture and plant breeding as a key technology in the 21st century, the role of research and development in Germany, a location with a high reputation for know-how, engineering and high-tech, and the chance to secure and increase jobs at Einbeck.

Agriculture and plant breeding are key elements in achieving **sustainable development** – something that can only be ensured through innovation, the sparing use of resources and productivity. You can find more on this matter in the KWS Sustainability Report; copies are available here. Particularly our founding families and our family shareholders stand behind sustainability.

This year, the outstanding representative of the 5th generation of the founding families, **Carl-Ernst Büchting**, who was Chairman of the Executive Board and the Supervisory Board for many years, passed away at the age of 95. He played a major role in rebuilding the company here in Einbeck after the Second World War and the loss of its headquarters in Klein Wanzleben. In his time as Chairman of the Executive Board, he made such momentous decisions as that to begin corn breeding or to expand business to North America. We have been able to build on that work. We will not forget Carl-Ernst Büchting.

The KWS Group showed again in the past fiscal year 2009/2010 that it is continuing to grow with stability. Net sales rose by just over 5% to **€754 million** and earnings before interest and taxes by 6% to **€82 million**. In the past fiscal year, we again invested strongly and our workforce grew worldwide by more than 8% to its current level of approximately **3,500 employees**.

Despite increasingly cyclical fluctuations, KWS has steadily increased its net sales and income over the past years. This constant growth shows that breeding progress of an annual **1-2% increase in yields** benefits agriculture when prices are high and has a stabilizing effect when they are low. Almost 300 newly approved varieties worldwide underscores what an important contribution KWS makes to enhancing our customers' productivity.

Approval of a new variety always means an improvement on what was offered before. There is hardly any other sector where progress is produced so continuously as in plant breeding. The main ingredients are the **know-how and skill** of breeders and researchers; only little energy and other resources

are used. Breeding progress is of great importance to our customers, particularly against the backdrop of a growing population, climate change and renewable energy. That is all too often ignored in the public perception of plant breeding. Without this progress, it would never have been possible to produce enough food to allow the global population to grow from 2 billion in 1950 to more than 6 billion now.

Anyone who is against the use of modern technologies – such as biotechnology and genetic engineering – in breeding and agriculture must ask what the consequences of a **failure to support progress** will be. It is true: If you undertake something new, you have to expect critical questions and scrutiny of the risks that progress entails. That is legitimate, and it is why KWS gives its unequivocal backing to demands that new technologies be assessed thoroughly and sufficiently in advance. Yet you also need a moral justification for a decision not to support progress: Anyone who categorically rejects new technologies jeopardizes the contribution plant breeding makes to solving major issues such as feeding a growing population and climate change.

Thus far there has not been a single serious scientific study proving that “green genetic engineering” is a risk to health and the environment. Just a few days ago, on December 9, 2010, the EU Commission published the results of its research into the safety of GMOs – genetically modified organisms. In the course of 25 years, with a cost of €300 million, more than 500 teams of independent researchers have studied the safety of GMOs. **The EU Commission now says that there are no scientific findings that would suggest that GMOs are a greater danger for the environment or for food for humans and animals than are unmodified plants and organisms.**

Genetically modified plants are now grown on more than **130 million hectares** worldwide. That is almost 10% of the world’s agricultural area – and that share is much larger in the highly productive regions of North and South America and Southeast Asia. With such crops, farmers in these regions are

increasingly gaining a competitive edge over their European counterparts, who are denied access to these cutting-edge technologies.

It goes without saying that KWS accepts the regulatory framework, which was also confirmed by the German Federal Constitutional Court in its most recent ruling. We do not want to argue for a technology against the will of consumers, and we certainly do not want to impose it on our customers and society against their will. On the other hand, you have to ask yourself how the term “GM-free” is defined today. An expert report recently proved that the label “GM-free” is a clear case of **misleading consumers**. Depending on various estimates, between 70% and 80% of our food has already come into contact with genetically modified organisms. So anyone calling for a GM-free zone ought logically to first ban all food retailers – as well as clothing stores with cotton shirts and blouses – in such a region. No one has been able to explain to me why you can label a piece of meat, a liter of milk or an egg as GM-free despite the fact that the animals have been fed with genetically modified fodder, genetically modified enzymes and vitamins. The question is therefore not **whether** genetically modified food is on consumers’ plates, but whether the products are **imports or grown domestically**. Anyone preventing the latest technologies in Europe should not shut their eyes to the conditions under which imported food is produced. The agricultural country **Brazil** would be pleased to supply every unit not produced in Europe. The available land could be expanded by plowing up meadows or clearing the rainforest. The only problem is: What are the global costs in terms of sustainability and the climate?

A frequent argument against the use of “green genetic engineering” is that once genes are released into the environment they **cannot be recalled**. However, this overlooks the fact that the genes that help increase plant resistance occur only in nature and can only be found there. Plants and animals have changed in the course of evolution or have been changed by human intervention; that’s how the wolf evolved into both the Saint Bernard

and the Dachshund. For millennia, breeding has been nothing but the systematic combination of genes, and where we only used to be able to observe the effects of this with the eye, we can now also analyze them in the laboratory.

For a **new technology**, the following can be said: It has to demonstrate its benefits scientifically and in the marketplace, its risks must be manageable as far as we can judge, and the opportunities and risks must be assessed and weighed against the background of overriding objectives such as **population growth, climate change and the potential of renewable energies**. A breeding company like KWS also asks what our world will look like in 10 to 15 years – the length of the product development cycle. Our strategy is therefore clear: We participate in the growing **world market** for genetically modified varieties in countries that have decided in favor of growing them. Those are KWS' main markets outside Europe. It goes without saying that the current rejection of genetically modified plants in **Europe** means that KWS will only market such products if it has approval. KWS largely conducts its **research and development** of genetically modified plants for world markets in Germany. Any other strategy would slow progress, cut highly qualified jobs in Germany, restrict farmers' freedom of choice and leave the growing world market entirely in the hands of the multinational concerns. KWS now generates almost 30% (28%, to be precise) of its net sales from genetically modified plants.

Alongside innovations in plant breeding, our employees are the key source of KWS' commercial success. **The values** KWS stands for should not only be mentioned in brochures, Annual Reports and Sustainability Reports, but also be practiced in daily life and correspond to reality. The team spirit, foresight and other values that guide KWS, a cosmopolitan company with a long tradition of family ownership, are a great motivation for employees. We are increasingly seeing that KWS is a very attractive company for young talents, nationally and internationally. We want to agree on our objectives, but

achievement of these objectives should be based on the **freedom of independent personalities**. That is why we create particularly family-friendly jobs that ensure a high degree of flexibility, especially for young families. We not only offer life-long learning, but also demand it of our employees. We continue to train far more young people than we actually need and have almost **90 trainees** at Einbeck alone. We give young people the chance to develop their abilities in our Young Professional Program, provide financial support for childcare up to school age and offer flexible working time models for young families and a large range of internal and external continuing education courses.

To secure our growth worldwide, we have launched an extensive program to develop our corporate organization further. We call it **Fit for Growth**, and its objective is to ensure that our core processes, above all in distribution and production, are provided with support from corporate functions such as Controlling, Finance, Human Resources, Law, etc. To enable that, we will establish four service centers that will pool the corporate functions for several Local Companies in the region. We are in the fortunate position of not having to make organizational changes because things are going badly, but on the contrary: because things are going **particularly well**.

Our workforce has risen from around 2,000 to 3,500 in the last decade. The number of employees is bound to increase further. We intend to continue growing above-proportionately in research and breeding and distribution and to limit the rise in **administrative expenses** with more efficient processes.

Last year's performance by our Sugarbeet Segment can be summed up in one word: Growth. **Sugarbeet** is still KWS' most important crop in terms of earnings. The segment generated net sales of around €247 million and income of €35 million – top-flight results. It is impressive to see that, despite the **decline in area in Europe** of more than 30% in the past 5 years, our Sugarbeet Segment has been able to post such excellent results. It has been

able to roughly maintain net sales in Europe over the past five years. I am particularly pleased about the increased use of sugarbeet in the area of alternative fuels, such as ethanol and in the still young biogas market.

At the same time, there has been significant growth in areas outside the EU, e.g. in **Russia and Ukraine**. However, there are still risks in these two countries as a result of the strain on farmers' liquidity there. Total global cultivation area for sugarbeet increased again last year by 10% to **4.6 million ha**, due primarily to the high world market prices for sugar.

The market success of our Roundup Ready® sugarbeet in the US played a key part in the unit's growth in net sales. For several years now, North America has generated the most net sales for the Sugarbeet Segment. **95% of cultivation area** is used to grow RR sugarbeet, 60% of which are KWS varieties.

Environmental protection associations in the US are currently taking legal action against the United States Department of Agriculture due to a formal error in the approval process for RR sugarbeet. Its cultivation was prohibited for the time being on August 13, 2010; however, the sugarbeet already planted can be harvested and processed and seed produced on fields sown before August 13. The US Department of Agriculture recently published a new environmental impact statement prescribing extended rules for growing such beet. Implementation of these requirements is enabled by KWS' intensive quality management system. Not only breeders, but also farmers and sugar companies are calling for the continued cultivation of RR sugarbeet, because they entail economic advantages while also representing significant improvements for the environment. A recent order to plow under seedlings was stayed by the appeals court on December 6, 2010. We expect that cultivation of RR varieties will **continue in 2011**. If everything goes well in the US, we again expect good results from the Sugarbeet Segment this year.

To sum up, I would again like to note that KWS has a secure financial base, not least thanks to our high equity ratio of around **58%**. We will continue expanding our research and breeding activities so as to ensure a secure and competitive supply of products in the coming years. We intend to continue running our **central R&D operations** from Einbeck and driving worldwide adaptation of our products at our breeding stations. To achieve that, we need a climate in which research and development at our German location is no longer hampered.

By creating an administrative and organizational structure better tailored to regional needs and to delivering quality, we aim to ensure optimal core processes in growth markets, too. We want to continue offering our employees an attractive, modern **culture** that builds on the values our company has evolved over its long history. That is not only intended as a conservative measure, but is also strategically important, in particular when it comes to competing for the best young talents. We will adopt a clear position, even in critical discussions, in harmony with society. As a result, we want to keep on strengthening the **trust of our owners and shareholders** in a secure future for our and your KWS.

December 16, 2010

Philip von dem Bussche