



Independent Research

Unabhängige Finanzmarktanalyse GmbH

Investment Research



Figures for H1 2009

09/24/2009

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Growth continues**Figures for H1 2009****KTG Agrar 4) 5)****Recommendation: Buy****before:**

as of

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- ⇒ In H1 2009, KTG Agrar exceeded our expectations thanks to a stronger-than-anticipated decline in costs of materials. As a result of a significant expansion of arable land, the total performance increased by 28.0% to EUR26.27m (20.52) despite lower soft commodity prices. EBIT improved by 57.6% to EUR3.76m (2.38).
- ⇒ We feel that the improved operating cash flow of EUR-6.09m (-6.83), which is seasonally usually negative, is encouraging. This reflects the stable cash flow of biogas plants and the higher income level. However, in 2009, KTG Agrar will not achieve a positive operating cash flow.
- ⇒ Thanks to the capital increase made in June, the equity ratio remained stable with 38.1% (December 31, 2008: 36.5%). We expect investments to increase to EUR35.5m (2008: 12.9) in 2009 in the wake of expanding the biogas division. The biogas segment have a huge synergy potential with conventional farming and stabilise cash flows. Still we expect the net debt and consequently the leverage to increase to EUR70.9m (December 31, 2008: 39.8).
- ⇒ In our opinion, the expansion of arable land is the growth driver. We hold on to our EPS forecast for 2009 of EUR1.06. For 2010, we raise our EPS forecast to EUR1.22 (before: 1.18) as biogas activities are expanded more than we had expected.
- ⇒ The KTG Agrar share reacted positively to the release of H1 figures and has increased by 16.5% since our last comment (August 5, 2009). The recovery of wheat prices (since January 1, 2009: -11.7%) may boost the share price. However, USDA expects the supply to exceed the demand in the 2009/10 harvest season. We think, that the share is still valued attractively with a P/E ratio 2010E of 11.6. At an unchanged price target of EUR18.00 we remain committed to our Buy recommendation.

Price target (in EUR) (6 months) **18.00**

Share price(Xetra) (in EUR)

14.21

09/21/09 3:40 PM

Share price potential

26.67%

Company date

Country	GE
Sector	Agriculture
Market segment	Entry Standard
ISIN	DE000A0DN1J4
Reuters	7KTG.DE
Bloomberg	7KT
Internet	www.ktg-agrar.de

Data shares

Shares (m)	5.160
Freefloat	49.50%
Market cap. (EURm)	70.9
∅ Trading Volume	7,513
52W High 06/12/09	EUR15.00
52W Low 11/24/08	EUR8.00
Beta	1.29
Volatility (60 days)	28.05

Multiples

	EV/Sales	EV/EBIT	P/E ratio	Dividend yield
2006	-	-	-	-
2007	5.1	19.3	neg.	0.0%
2008	3.9	13.7	15.7	0.0%
2009e	4.1	12.4	13.5	0.7%
2010e	2.8	9.6	11.6	0.7%

Performance (in %)

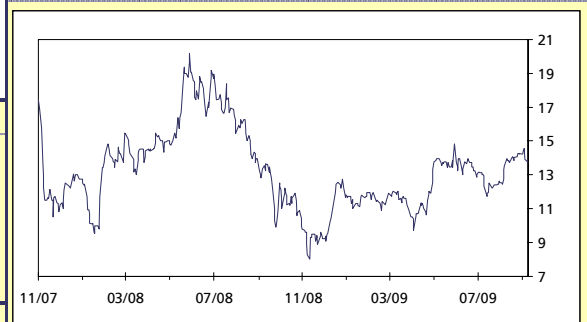
	1M	3M	6M	12M
absolut	1.3	1.8	14.4	1.4
related to:				
DAX	-3.4	-20.1	-26.1	7.8

Index Weighting

no index membership

AP	FY	Total perf.	EBIT	EBT	EAT	EPS
G.GAAP	2006	17.9	2.5	1.6	1.0	0.23
G.GAAP	2007	31.6	4.0	2.1	-2.4	-0.55
G.GAAP	2008	48.2	7.5	5.3	3.9	0.89
G.GAAP	2009e	54.3	9.8	7.2	5.2	1.06
G.GAAP	2010e	63.3	12.6	8.7	6.3	1.22
CAGR 2006 - 2010e		37.1%	49.9%	52.9%	58.8%	

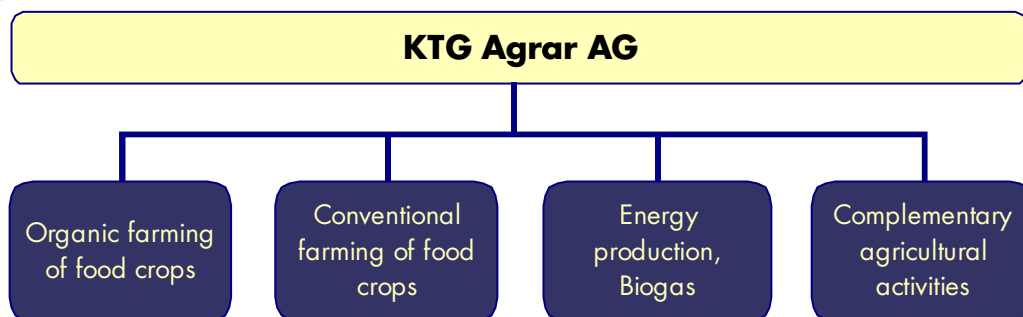
Figures in EURm except EpS, hist. PERs based on averaged share prices

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Company profile

One of Europe's leading suppliers of food crops

With arable land of approximately 29,000 hectares in East Germany and Lithuania, KTG Agrar ranks among Europe's leading suppliers of soft commodities. Roughly 85% of the total area is leased land. The company is Germany's market leader for the cultivation of organic cereals and maize with a cultivated area of 11,000 hectares. Another 4,000 hectares are being converted into organic cultivation. On roughly 14,000 hectares of land the company cultivates food crops in a conventional way. Running twelve biogas plants (total capacity: 8 megawatts) for electricity and heat production, KTG Agrar has become a company with an integrated value-added chain. As KTG Agrar cultivates the input materials for the biogas plants by itself on 2,000 hectares of conventionally cultivated land, it is independent of external suppliers. The required area can be reduced thanks to increased cultivation of catch crops. The residual matter is used as fertiliser. The operating cash flow ought to stabilise in the course of the company's planned expansion of the biogas plant business to 15.5 (before: 8.0) megawatts in H1 2010. In the business segment Complementary Agricultural Activities, KTG Agrar offers consulting services and bundles the acquisition, restructuring and sale of agricultural companies. KTG Agrar plans to establish a fifth fast-growing business field with agricultural trading.



Source: KTG Agrar

SWOT analysis	
Strengths and Opportunities	Weaknesses and Threats
<ul style="list-style-type: none"> - One of the leading producers of food crops in Europe - in particular organic farming - Integrated business model - Growth through continuous expansion of farmland and the expansion of the biogas segment - Steadily increasing consumption of foods for instance due to growing population 	<ul style="list-style-type: none"> - Capital intensive business - results in strongly negative operating cash flow during periods of growth - Volatile soft commodity prices - Revitalisation of farmland for example in Eastern Europe - Optimisation of organisational structure of the group has not ended yet

Source: Independent Research

¹⁾²⁾³⁾⁴⁾⁵⁾ Please notice the advice regarding possible conflicts of interests as well as the disclaimer at the end of this document

KTG Agrar continuously growing in H1 2009

Expansion of arable land increased by 36% within 12 months

Continuing expansion of farmland...

Like in the last few years, in H1 2009 KTG Agrar benefited from a considerable increase in arable land. On an annual basis, the farmland increased by 36.0% to 29,236 (June 30, 2008: 21,500) hectares. Since the beginning of the year the land area has grown by 15.6% (+3,950 hectares). In 2009, so far KTG Agrar has acquired two agricultural companies in the federal state of Brandenburg with a combined size of 3,700 hectares (investment: EUR4.13m). Of this total, KTG Agrar owns 750 hectares. 2,950 hectares are leased. Moreover, farmland was acquired in Lithuania.

Lower prices for agricultural products curb sales increase

...contributes to significant sales increase

In H1 2009, sales increased by 26.7% to EUR11.07m (8.74). The increase was curbed by lower sales prices for soft commodities (decline in the average wheat price (Euronext Mill Wheat Future) in H1 2009: -39% to EUR143 (236) per ton; source: Bloomberg). The expansion of farmland contributed to a sales increase in organic food crops by 15.4% to EUR1.45m (1.26) and in conventional food crops by 30.4% to EUR4.24m (3.25). The above-average sales increase in conventional food crops is the result of high inventories at the end of 2008, which were sold in the first six months of 2009. Contrary to this, inventories of organic food crops were considerably lower as of December 31, 2008.

KTG Agrar		
Key figures of the income statement in H1 2009		
Unit : EURm	H1 2008	H1 2009
Fiscal year : Dec. 31	reported	reported
Accounting Standard : G. GAAP		
Sales	8.74	11.07
Growth y-o-y	65.9%	26.7%
Ecological market fruit cultivation	1.26	1.45
Conventional market fruit cultivation	3.25	4.24
Energy production/biogas	4.15	4.70
Complementary agricultural services	0.08	0.68
Change in finished goods, inventories etc.	5.63	6.85
Other operating income	6.15	7.91
Total operating performance	20.52	26.27
Growth y-o-y	63.1%	28.0%
EBITDA	3.69	4.96
EBITDA margin	18.0%	18.9%
adjusted EBITDA margin	20.9%	21.8%
EBIT	2.38	3.76
EBIT margin	11.6%	14.3%
adjusted EBIT margin	13.5%	16.5%
Net consolidated income for the period	0.76	1.06
Net margin	3.7%	4.0%

Source: Independent Research; KTG Agrar

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New legal interpretation of perk schedule leads to lower revenues

In the Biogas/Energy production segment the sales increase of 13.3% to EUR4.70m (4.15) did not fully meet our expectations. As expected, compared to 2008 KTG Agrar hardly benefited from basic effects since last year ten biogas plants operated under full load. The sales increase reflects the eleventh plant put into service in December 2008 and partly a smaller plant acquired in a takeover in April. According to CFO Wolfgang Bläsi however, payments per kilowatt hour decreased. According to the interpretation of the amended EEG 2009 several biogas plants installed in one location are considered only as one single plant. The interpretation also applies to existing plants. This results in a lower pay rate for the plants already constructed in 2007 and 2008. KTG Agrar took legal actions and initiated technological conversion work, in order to receive the old pay rate of roughly 18.5 euro cents per kilowatt hour again in the future.

Total performance distorted by leasing transactions

Again considerable sale-and-lease-back transactions

The total operating performance increased above-average by 28.0% to EUR26.27m (20.52). Again, we criticise the high proceeds from sale-and-lease-back transactions for agricultural machines of EUR3.55m (2.84). The amount is reflected in other operating income. The proceeds are eliminated in other operating costs, still they distort the top line and the margin level.

Diesel and fertiliser prices slump

Input costs decrease stronger than expected

We were surprised by the cost of materials, which remained almost stable with EUR7.49m (7.31). The cost of materials to total performance ratio (excluding sale-and-lease-back transactions) fell significantly to 42.4% (51.1%). So far, we had expected merely a slightly declining ratio of 56.6% (57.5%) for the full year. In H1 2009, KTG Agrar benefited from average cost reduction in fertilisers and diesel amounting to roughly 38%.

Other operating costs increase above-average again

However, in H1 2009 again the significant above-average increase of other operating costs (excluding sale-and-lease-back transactions) by 59.6% to EUR7.22m (4.52) had a negative impact. Particularly the lease and motor costs (EUR1.61m (0.56)) increased considerably in the wake of the leasing transactions of the past few quarters. This was partly compensated by lower depreciation. Contrary to this, we welcome the reduced management and consulting costs of EURO.96m (1.36).

Significantly improved adjusted EBIT margin

Earnings improve above-average

Still KTG Agrar was able to improve EBIT by 57.6% to EUR3.76m (2.38). The adjusted EBIT margin (excluding the sale-and-lease-back transactions) climbed by 300 base points to 16.5% (13.5%). Group net consolidated income rose below-average by 38.7% to EUR1.06m (0.76). The reasons for this were the costs for the capital increase amounting to EURO.19m (made in mid-June 2009; 430,000 shares, EUR12.70 per share) as well as a slightly higher tax rate of 17.6% (15.9%). Moreover, KTG Agrar reported significantly higher minority interests of EURO.78m (0.31). According to CFO Bläsi, this is attributable to a special item at a Leipzig-based subsidiary, which will equalize in the full year.

Outflow of liquid funds can be stabilised

Cash flow development remains a challenge

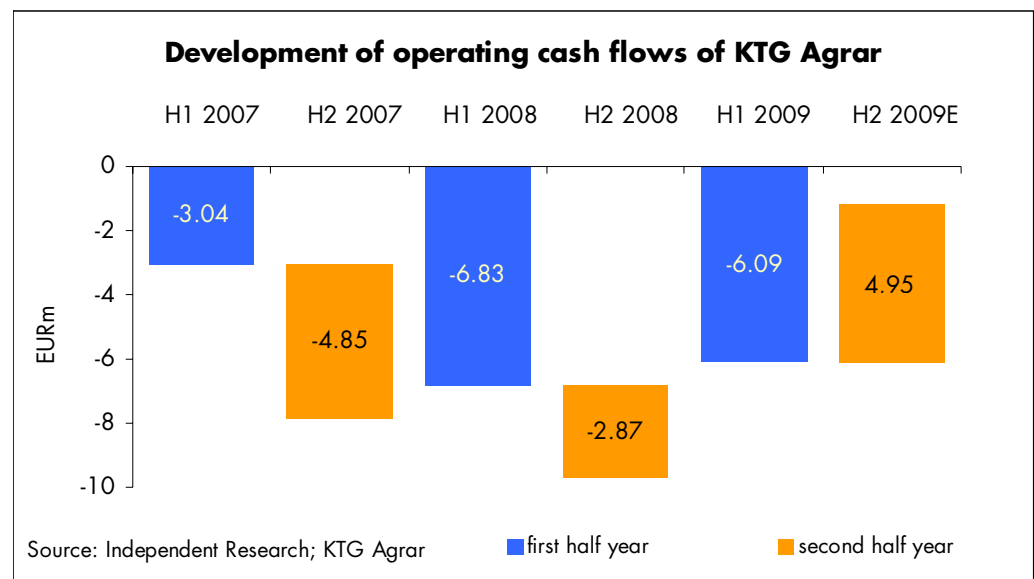
As usual in agriculture, in H1 2009 the operating cash flow of EUR-6.09m (-6.83) was negative. The reduced outflow of funds was encouraging since KTG Agrar had to prefinance the cultivation of an expanded farmland (roughly 29,000 hectares (2009: 22,000)) in H1 2009. Again, the inventory build-up by 67.7% to EUR31.13m (June 30, 2008: 18.56) was stronger than growth of farmland expansion (+36.0%). KTG Agrar benefited from sales of finished goods, which were high at the end of 2008. Finished goods amounted to EUR1.68m (December 31, 2008: 10.33). Compared to H1 2008, inventory of unfinished products (work in progress and seed crops) increased above-average to EUR22.17m (December 31, 2008: 6.02; June 30, 2008: 10.88). We had expected a below-average increase of unfinished products. According to KTG Agrar, the higher increase was due to particularities in acquisitions in H1 2008 and H1 2009. Last year, mainly groups were acquired that reported a low share of cultivated land as of June 30, 2008. In H1 2009, the two groups acquired had already cultivated the majority of their land.

KTG Agrar benefits from stable cash flow produced by biogas plants

We attribute the improved cash flow to the higher income level and the stable cash flow of the 12 (10) biogas plants. On the one hand, KTG Agrar also benefited from an inflow of liquidity from reducing receivables from affiliated and associated companies amounting to EURO.46m. On the other hand, the group reported an outflow of funds of EURO.90m in H1 2008. We criticise the increased granting of loans to affiliated and associated companies (June 30, 2009: 8.22; December 31, 2008: 8.68; December, 31 2007: EUR3.74m).

Capital increase strengthens financial basis

As a result of the capital increase in mid-June (430,000 shares for EUR12.70 per share; net issuing proceeds: EUR5.27m), as of June 30, 2009, equity amounted to EUR47.46m (December 31, 2008: 39.21). In view of the planned investments into the expansion of the biogas segment and as banks claim higher equity in investments, the group became more flexible. With a balance sheet total of EUR124.95m (December 31, 2008: 107.99) as of June 30, 2009, the equity ratio including items for investment grants amounted to 38.1% (December 31, 2008: 36.5%). Financial debt rose to EUR59.64m (December 31, 2008: 51.29). This reflects the negative operating cash flow as well as the investment activity.



Forecasts

KTG Agrar benefits from lower cost base

Sales and income driven by expansion of farmland in 2009

In 2009, the expansion of farmland is to be the main growth driver. KTG Agrar reaffirmed its target, to increase the total performance and EBIT in 2009 and to maintain the adjusted EBIT margin (2008: 18.2%) on last year's level at least. With respect to the low cereals prices, KTG Agrar will sell fewer products in 2009, according to CFO Bläsi. Instead, a major part of the harvest 2009 is to be stocked for sale at a later date. Hence, we only expect sales of EUR29.34m (before: 32.41). Total performance is forecasted to remain almost unchanged at EUR54.28m (before: 54.85) due to a higher change in inventories. As a result of lower cost of materials, we estimate EBIT of EUR9.78m (before: 9.86). Now we expect group income of EUR5.24m (before: 5.28) and unchanged EPS of EUR1.06. As the group increasingly stores cereals, we do not expect KTG Agrar to achieve a positive cash flow in 2009 (our forecast: EUR-1.14m (before: +2.65)).

Capacities increase to 15.5 MW (before: 8.0)

Stronger increase in biogas capacities than planned so far

For 2010 we expect the total performance to increase considerably as capacities in the Biogas/Energy Production segment will double. We slightly raise our EPS forecast to EUR1.22 (before: 1.18), since KTG Agrar will increase the capacity of its biogas plants by 7.5 MW (before: 6.0) to 15.5 MW (before: 14.0). According to CFO Bläsi, investments remain roughly at EUR25m plus EUR5m for the infrastructure.

First dividend payment for 2009 with a symbolic character

KTG Agrar announced that it would pay its first dividend for the fiscal year 2009. We expect a symbolic payment, as funds are actually needed for the expansion. For 2009 and 2010 we expect DPS of respectively EURO.10 (before: 0.00 respectively).

KTG Agrar					
Forecast of key figures of the income statement					
Unit :	EURm				
Fiscal year :	Dec. 31	2009E	2009E	2010E	
Accounting Standard :	Germ. GAAP	old	new	old	
				2010E	
				new	
Sales		32.41	29.34	43.73	43.69
Growth y-o-y		22.7%	11.1%	34.9%	48.9%
Change in finished goods, inventories ect.		4.00	6.00	3.00	3.00
Other operating income		15.94	16.44	16.59	16.58
Total operating performance		54.85	54.28	63.32	63.27
Growth y-o-y		13.7%	12.6%	15.4%	16.6%
EBITDA		12.72	12.17	17.42	17.37
EBITDA margin		23.2%	22.4%	27.5%	27.5%
adjusted EBITDA margin		25.5%	25.0%	29.4%	29.3%
EBIT		9.86	9.78	12.25	12.59
EBIT margin		18.0%	18.0%	19.3%	19.9%
adjusted EBIT margin		19.8%	20.0%	20.7%	21.2%
Net consolidated income for the year		5.28	5.24	6.09	6.30
Net margin		9.6%	9.6%	9.6%	9.9%
Number of shares (m)		4.963	4.963	5.160	5.160
EPS (Euro)		1.06	1.06	1.18	1.22
DpS (in Euro)		0.00	0.10	0.00	0.10

Quelle: Independent Research

Valuation

Three-stage DCF model

WACC of 8.63% (before: 8.86%)

Fair value per share: EUR18.10 (before: 18.30)

Our valuation of the KTG Agrar share is based on a three-stage DCF model. Stage I takes our detailed forecasts for the income statement until 2010 into consideration. For Stage II, we predict a slowdown in growth of sales and total operating performance as well as a constant EBIT margin of 25.0% from 2013 onward. In Stage III, we assume a 1.5% increase in free cash flow (FCF). In order to calculate the WACC we have made the following assumptions: we lower the risk-free interest rate to 4.0% (before: 4.5%) due to a lower interest rate environment. The equity risk premium is 8.0%. The debt risk premium is 2.7% (before: 2.2%). Furthermore, we calculate a Beta of 1.3. With respect to the long-term capital structure we presume an equity ratio of 40% and a debt ratio of 60%. These premises lead to a weighted average cost of capital (WACC) of 8.63% (before: 8.86%).

We calculate a fair value of the company's equity of EUR93.41m (before: 94.43) for KTG Agrar. This corresponds to a fair value per share of EUR18.10 (before: 18.30). Despite the slightly raised forecast for 2010 and a lower WACC, the slightly lower value is due to the expected higher working capital investments.

DCF model KTG Agrar										
EURm	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
Sales	29.34	43.69	54.97	64.09	68.90	74.07	79.62	85.59	92.01	98.91
Growth y-o-y	11.1%	48.9%	25.8%	16.6%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Total operating performance	54.28	63.27	78.43	90.10	95.40	100.99	106.88	113.08	119.62	128.59
Growth y-o-y	12.6%	16.6%	24.0%	14.9%	5.9%	5.9%	5.8%	5.8%	5.8%	7.5%
EBIT margin (in % of total operating performance)	18.0%	19.9%	21.6%	23.3%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
EBIT	9.78	12.59	16.94	20.99	23.85	25.25	26.72	28.27	29.90	32.15
- Income taxes	-2.74	-3.53	-4.74	-5.88	-6.68	-7.07	-7.48	-7.92	-8.37	-9.00
+ Amortisation and depreciation	2.40	4.78	6.30	7.67	8.59	9.09	9.62	10.18	10.77	11.57
+/- Change in long-term provisions	0.13	0.52	0.65	0.75	0.79	0.84	0.89	0.94	0.99	1.06
+/- Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross operating cash flow	9.57	14.37	19.15	23.53	26.55	28.10	29.74	31.47	33.29	35.78
+/- Change in net working capital	-9.34	-6.40	-8.97	-5.91	-1.23	-1.08	-0.90	-4.72	-5.07	-5.45
+/- Investments in fixed assets	-35.46	-7.88	-8.44	-8.12	-9.54	-10.10	-10.69	-11.31	-11.96	-12.86
Free cash flow	-35.23	0.09	1.74	9.50	15.77	16.92	18.15	15.44	16.25	17.47
Present values	-34.41	0.08	1.43	7.16	10.91	10.73	10.56	8.24	7.96	7.85
Total present values	30.53									
Terminal value	111.74									
									in % of total value :	79%
Value of operating business	142.26									
+ Cash and cash equivalents	10.78									
- Financial debt and minority interest	-59.64									
Fair market value of equity	93.41									
Number of shares outstanding (m)	5.160									
Fair value per share (Euro)	18.10									

Model parameters / Entity DCF model :					
Target capital structure ->	Equity :	40%	Financial debt :	60%	
Risk-free rate :	4.00%	Beta :	1.3	Risk premium debt:	2.7%
		Risk premium :	8.0%	Tax shield :	28.0%
		Cost of equity :	14.3%	Cost of debt :	4.9%
Growth rate FCF :	1.5%	WACC :	8.63%	Date :	09/22/09

Source: Independent Research

1)2)3)4)5) Please notice the advice regarding possible conflicts of interests as well as the disclaimer at the end of this document

Based on the fair value we calculate EV/EBITDA 2009E of 11.7 (2010E: 8.2), EV/EBIT 2009E of 14.6 (2010E: 11.3) and a P/E ratio 2009E of 17.8 (2010E: 14.8). We feel that these valuation ratios are justified as for 2009 KTG Agrar is expected to reports a net income increase of 32.9% (2010: 20.2%) and a PEG ratio of 0.54 (2010E: 0.73).

Sensitivity analysis

		Sensitivity analysis (Euro)			
		Discount rate			
Growth		8.1%	8.6%	9.1%	9.6%
	0.5%	17.81	15.25	12.99	10.99
	1.0%	19.40	16.58	14.12	11.95
	1.5%	21.72	18.10	15.40	13.03
	2.0%	23.34	19.85	16.86	14.26

Source: Independent Research

H1 figures exceed our expectations

H1 figures were better than expected. KTG Agrar benefited from a clear farmland expansion (+36.0%), which made the total performance rise by 28.0% to EUR26.27m (20.52). Because of lower input materials prices, material costs remained almost stable, which was a surprise to us. Hence, KTG Agrar compensated the lower soft commodity prices compared to the previous year (wheat: -39.0%). EBIT improved by 57.6% to EUR3.76m (2.38). As a result, the adjusted EBIT margin climbed to 16.5% (13.5%).

Operating cash flow remains factor of uncertainty

The improvement of the operating cash flow to EUR-6.09m (-6.83), which is usually negative in the first half year, is encouraging. This reflects the stable cash flow of the biogas plants and the increased income level. In our view, the cash flow remains a factor of uncertainty. The capacity increase in the biogas segment by 7.5 MW (before: 6.0) increases the amount of silage needed. This goes along with an inventory build-up. Moreover, the group expanded the size of its farmland. We have a negative stance towards the plans of KTG Agrar to store a major part of the harvest 2009 due to the weak wheat prices and to sell it only in 2010. This results in an inventory build-up causing a negative operating cash flow in 2009.

Within the next few years, growth is driven by the farmland expansion and the capacity increases in biogas segment in 2010. In our opinion, H1 2009 showed that the prices for soft commodities are of minor importance for KTG Agrar's profitability than expected so far. With respect to sales, KTG Agrar concluded fixed-price contracts for the major part of the harvest 2009 (65% to 70% of conventional and organic food crops). As far as costs are concerned, the majority of diesel and fertiliser prices for 2009 and 2010 is hedged. We maintain our EPS forecast for 2009 at EUR1.06 and raise it for 2010 to EUR1.22 (before: 1.18) due to higher biogas capacities.

The KTG Agrar share reacted positively to the release of H1 figures and has increased by 16.5% since our last comment (August 5, 2009). Recovering wheat prices (since January 1st, 2009: -11.7%) may give new impetus. However, USDA expects the supply to exceed the demand in the harvest season 2009/10 contrary to rice and coarse grain. We still feel that the share is attractively valued with a P/E ratio 2010E of 11.6. At an unchanged price target of EUR18.00, we hold on to our Buy recommendation.

Price target: EUR18.00; recommendation: Buy

KTG Agrar						
Key Financial Data						
Fiscal year : Dec. 31 Accounting Standard : Germ. GAAP	2005	2006	2007	2008	2009E	2010E
Key figures of the income statement						
Sales (EURm)	6.01	8.38	15.31	26.42	29.34	43.69
Total operating performance (EURm)	13.16	17.92	31.62	48.22	54.28	63.27
EBITDA margin	19.1%	20.4%	19.3%	20.8%	22.4%	27.5%
EBIT margin	11.8%	13.9%	12.7%	15.6%	18.0%	19.9%
Net margin	4.9%	5.5%	-7.5%	8.2%	9.6%	9.9%
Amortisation and depreciation / total operating performance	7.3%	6.4%	6.6%	5.2%	4.4%	7.5%
Operating costs / total operating performance	80.9%	79.6%	80.7%	79.2%	77.6%	72.5%
Interest coverage ratio	2.39	2.75	2.12	3.40	3.82	3.23
Profitability ratios						
Return on equity incl. item for investment grants before taxes	9.5%	14.5%	7.2%	13.5%	14.3%	15.2%
Return on equity incl. item for investment grants after taxes	6.9%	9.0%	neg.	10.0%	10.3%	11.0%
ROIC	11.2%	6.7%	9.7%	9.0%	7.1%	8.2%
Return on total assets	5.6%	4.5%	neg.	6.5%	5.7%	6.7%
Key figures of the balance sheet						
Equity ratio incl. item for investment grants	36.9%	22.6%	34.9%	36.5%	34.5%	36.0%
Ratio of non-current assets (incl. animals) to total assets	47.3%	60.8%	47.0%	45.4%	56.0%	53.6%
Equity to non-current assets ratio	77.9%	37.2%	74.2%	80.4%	61.7%	67.1%
Equity and non-current liabilities to non-current assets ratio	117.1%	101.2%	126.0%	128.9%	105.2%	110.6%
Cash ratio	33.7%	20.2%	50.1%	25.6%	10.5%	9.8%
Quick ratio	45.0%	32.2%	59.9%	36.3%	20.3%	22.3%
Current ratio	118.1%	101.8%	130.1%	131.5%	107.0%	113.9%
Inventories processing period (days)	289	340	389	576	725	824
Receivables collection period (days)	79	98	80	66	74	68
Payables payment period (days)	281	322	243	291	251	289
Cash conversion cycle (days)	86	116	226	351	548	603
Working capital (EURm)	3.48	6.40	14.56	29.06	38.41	44.80
Working capital to sales ratio	58.0%	76.3%	95.1%	110.0%	130.9%	102.5%
Operating to investing cash flow ratio	-	-	-	-	-	0.72
Capex / amortisation and depreciation	425.0%	1233.4%	649.9%	566.9%	1511.2%	180.6%
Capex / sales	68.1%	169.9%	88.4%	53.8%	123.4%	19.7%
Key figures of the share (Euro)						
Earnings per share	0.15	0.23	-0.55	0.89	1.06	1.22
Operating cash flow per share	-0.10	-0.70	-1.84	-2.18	-0.23	1.10
Free cash flow per share	-0.74	-3.96	-4.56	-5.09	-7.37	-0.42
Dividend per share	0.00	0.00	0.00	0.00	0.10	0.10
Cash and cash equivalents per share	0.90	0.88	4.01	2.59	1.28	1.23
Book value per share incl. item for investment grants	2.20	2.55	6.86	8.86	10.20	11.08
Valuation key figures						
EV / sales	-	-	5.1	3.9	4.1	2.8
EV / EBITDA	-	-	12.7	10.3	10.0	7.0
EV / EBIT	-	-	19.3	13.7	12.4	9.6
P / E ratio	-	-	neg.	15.7	13.5	11.6
P / B ratio incl. item for investment grants	-	-	1.8	1.6	1.4	1.3
P / CF ratio	-	-	neg.	neg.	neg.	12.9
P / S ratio	-	-	3.4	2.3	2.4	1.6
Dividend yield	-	-	0.0%	0.0%	0.7%	0.7%

Source: Independent Research; KTG Agrar

KTG Agrar							
Income Statement							
	Unit : EURm	2005	2006	2007	2008	2009E	2010E
	Fiscal year : Dec. 31						
	Accounting Standard : Germ. GAAP						
Sales		6.01	8.38	15.31	26.42	29.34	43.69
Growth y-o-y		-	39.5%	82.7%	72.6%	11.1%	48.9%
Change in finished goods, inventories and work in progress		-0.30	1.47	5.91	5.71	6.00	3.00
Other own work capitalised		0.25	0.66	0.75	0.47	2.50	0.00
Other operating income		7.21	7.40	9.65	15.62	16.44	16.58
In % of sales		120.1%	88.3%	63.0%	59.1%	56.0%	37.9%
Total operating performance		13.16	17.92	31.62	48.22	54.28	63.27
Cost of materials		-4.58	-6.46	-12.46	-15.07	-16.47	-16.88
In % of total operating performance		-34.8%	-36.1%	-39.4%	-31.2%	-30.3%	-26.7%
Staff cost		-2.04	-2.61	-3.48	-5.00	-6.08	-7.40
In % of total operating performance		-15.5%	-14.6%	-11.0%	-10.4%	-11.2%	-11.7%
Other operating costs		-4.03	-5.20	-9.58	-18.12	-19.56	-21.62
In % of total operating performance		-30.6%	-29.0%	-30.3%	-37.6%	-36.0%	-34.2%
EBITDA		2.51	3.65	6.09	10.03	12.17	17.37
EBITDA margin		19.1%	20.4%	19.3%	20.8%	22.4%	27.5%
Amortisation and depreciation		-0.96	-1.15	-2.08	-2.51	-2.40	-4.78
In % of total operating performance		-7.3%	-6.4%	-6.6%	-5.2%	-4.4%	-7.5%
EBIT		1.55	2.49	4.01	7.53	9.78	12.59
EBIT margin		11.8%	13.9%	12.7%	15.6%	18.0%	19.9%
Financial result		-0.65	-0.91	-1.89	-2.21	-2.56	-3.90
In % of total operating performance		-4.9%	-5.1%	-6.0%	-4.6%	-4.7%	-6.2%
EBT		0.90	1.59	2.12	5.31	7.22	8.69
EBT margin		6.8%	8.9%	6.7%	11.0%	13.3%	13.7%
Extraordinary result		0.00	0.00	-3.63	-0.23	-0.19	0.00
In % of total operating performance		0.0%	0.0%	-11.5%	-0.5%	-0.4%	0.0%
Income taxes		-0.04	-0.17	-0.32	-0.59	-1.09	-1.52
Tax rate		-4.3%	-10.9%	21.2%	-11.6%	-15.5%	-17.5%
Other taxes		-0.11	-0.14	-0.14	-0.17	-0.14	-0.17
Net consolidated income for the year before minority interests		0.75	1.27	-1.97	4.32	5.79	6.99
In % of total operating performance		5.7%	7.1%	-6.2%	9.0%	10.7%	11.1%
Minority interests		-0.10	-0.28	-0.40	-0.38	-0.56	-0.70
Net consolidated income for the year		0.65	0.99	-2.36	3.94	5.24	6.30
Net margin		4.9%	5.5%	-7.5%	8.2%	9.6%	9.9%
Number of shares (m) *		4.300	4.300	4.300	4.443	4.963	5.160
EPS (Euro) *		0.15	0.23	-0.55	0.89	1.06	1.22
DpS (in Euro)		0.00	0.00	0.00	0.00	0.10	0.10

Source: Independent Research; KTG Agrar

* EPS for 2005, 2006 and 2007 based on the number of shares outstanding at the end of 2007 (4.300m)

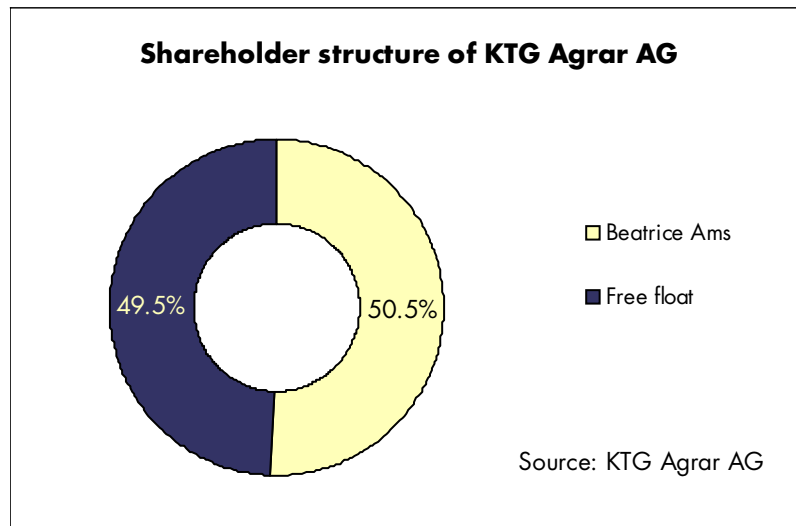
1|2|3|4|5) Please notice the advice regarding possible conflicts of interests as well as the disclaimer at the end of this document

KTG Agrar							
Balance Sheet							
	Unit : EURm	2005	2006	2007	2008	2009E	2010E
	Fiscal year : Dec. 31						
	Accounting Standard : Germ. GAAP						
ASSETS							
Non-current assets							
Intangible assets		2.25	2.88	4.89	5.15	5.09	5.06
Property, plant and equipment		8.58	25.06	33.85	42.78	75.89	79.03
Financial assets		1.15	1.38	0.93	1.00	1.00	1.00
Total non-current assets		11.98	29.32	39.67	48.93	81.99	85.09
Animals		0.17	0.12	0.07	0.06	0.06	0.06
Current assets							
Inventories		3.62	6.02	13.29	23.77	32.72	38.12
Trade receivables		1.30	2.25	3.36	4.78	5.92	8.09
Other receivables and other assets		4.57	6.70	10.49	17.76	18.52	19.95
Cash in hand, bank balances		3.86	3.77	17.23	11.50	6.33	6.36
Total current assets		13.35	18.74	44.37	57.82	63.48	72.53
Prepaid expenses		0.16	0.27	0.37	1.18	1.10	1.19
Total assets		25.66	48.44	84.48	107.99	146.63	158.87
EQUITY AND LIABILITIES							
Equity							
Subscribed capital		0.05	0.05	4.30	4.73	5.16	5.16
Capital reserves		0.00	0.00	21.45	27.47	32.50	32.50
Revenue reserves		0.01	0.01	0.01	0.01	0.01	0.01
Negative goodwill arising from consolidation		7.77	7.69	4.32	3.73	3.73	3.73
Net income/loss		0.88	1.87	-2.29	1.65	6.89	12.68
Minority interest		0.72	0.99	1.27	1.63	2.18	2.88
Total equity		9.42	10.60	29.06	39.21	50.47	56.97
Separate item for investment grants		0.03	0.35	0.44	0.16	0.16	0.20
Provisions							
Provisions for pensions and similar obligations		0.25	0.28	0.30	0.32	0.34	0.42
Provisions for taxes		0.14	0.25	0.48	0.87	0.94	1.17
Other provisions		0.33	0.55	1.10	0.82	0.87	1.08
Total provisions		0.72	1.07	1.88	2.01	2.14	2.67
Liabilities							
Liabilities to banks		10.33	28.76	40.89	51.29	77.25	79.97
Prepayments		0.40	0.00	0.00	0.00	0.00	0.00
Trade payables		3.53	5.70	8.31	12.00	11.32	13.35
Other liabilities		1.08	1.74	3.80	3.26	5.13	5.56
Total liabilities		15.34	36.21	53.00	66.55	93.71	98.87
Prepaid expenses		0.15	0.21	0.11	0.07	0.15	0.16
Total equity and liabilities		25.66	48.44	84.48	107.99	146.63	158.87

Source: Independent Research; KTG Agrar

KTG Agrar						
Cash Flow Statement						
Unit : EURm Fiscal year : Dec. 31 Accounting Standard : Germ. GAAP	2005	2006	2007	2008	2009E	2010E
Cash flow from operating activities						
Net consolidated income for the year	0.75	1.27	1.67	4.55	5.24	6.30
Amortisation and depreciation	0.98	1.15	2.08	2.51	2.40	4.78
Other non-cash income and expenses	-0.34	-0.02	-0.88	-0.28	0.56	0.70
Gains on disposal of fixed assets	-0.27	-0.39	-0.26	0.34	0.00	0.00
Change in provisions	-0.04	0.33	0.80	0.13	0.13	0.52
Change in other assets	-1.70	-4.68	-15.20	-19.98	-10.75	-9.11
Change in other liabilities	0.17	-0.68	3.90	3.04	1.28	2.50
Cash flow from operating activities	-0.45	-3.01	-7.89	-9.70	-1.14	5.68
Cash flow from investing activities						
Proceeds from disposal of tangible fixed assets	1.45	0.69	4.42	1.57	0.75	0.75
Proceeds of the sale of consolidated subsidiaries	0.02	0.00	0.75	0.00	0.00	0.00
Purchase of intangible fixed assets	0.00	-0.10	-0.05	-0.52	-0.25	-0.25
Purchase of tangible fixed assets	-4.03	-13.80	-13.40	-13.70	-35.96	-8.38
Proceeds from disposal of long-term financial assets	0.00	0.00	0.00	0.10	0.00	0.00
Purchase of long-term financial assets	-0.06	-0.34	-0.09	0.00	0.00	0.00
Purchase of consolidated subsidiaries	-0.12	-0.47	-3.33	-0.36	0.00	0.00
Cash flow from investing activities	-2.74	-14.02	-11.70	-12.91	-35.46	-7.88
Cash flow from financing activities						
Cash receipt from issue of capital	0.00	0.00	23.90	6.45	5.46	0.00
Payments for extraordinary items	0.00	0.00	-3.63	-0.23	0.00	0.00
Cash proceeds from/retirement of bank debt	4.30	16.85	12.99	10.40	25.97	2.71
Payment for longstanding debt	0.00	0.00	-0.31	0.00	0.00	0.00
Dividend payment	0.00	0.00	0.00	0.00	0.00	-0.50
Cash flow from financing activities	4.30	16.85	32.95	16.62	31.43	2.22
Net change in cash funds	1.11	-0.18	13.36	-5.99	-5.17	0.03
Change in cash funds due to consolidation structure	0.00	0.10	0.11	0.20	0.00	0.00
Cash and cash equivalents at beginning of period	2.75	3.86	3.77	17.23	11.50	6.33
Cash and cash equivalents at end of period	3.86	3.77	17.23	11.45	6.33	6.36

Source: Independent Research; KTG Agrar



1)2)3)4)5) Please notice the advice regarding possible conflicts of interests as well as the disclaimer at the end of this document

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Buy:	According to our assessment, the stock should register an absolute profit of at least 15% within a 6-month period.
Accumulate:	According to our assessment, the stock should register an absolute profit between 0% and 15% within a 6-month period.
Reduce:	According to our assessment, the stock should register an absolute loss between 0% and 15% within a 6-month period.
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¹⁾²⁾³⁾⁴⁾⁵⁾ **Please notice the advice regarding possible conflicts of interests as well as the disclaimer at the end of this document**

Summary of the evaluation principles used:

Analyses of shares:

In valuing companies standard and accepted valuation methods (amongst others the Discounted Cash Flow Method (DCF Method), Peer Group Analysis) are applied. Under the DCF Method the capitalised value of the issuers is calculated which shows the sum of the discounted company results, i.e. the current value of the issuer's future net distributions. The capitalised value is therefore determined with reference to the anticipated future company results and the capitalisation yield applied. Under the Peer Group Analysis Method issuers quoted on the Stock Exchange are valued with reference to the comparison of ratio indices (e.g. price earnings ratio, price to book ratio, enterprise value / sales, enterprise value / EBITDA, enterprise value / EBIT). The comparability of the ratio indices is determined above all by business activity and commercial prospects.

Technical analyses:

Technical analyses are based on historic share price and sales developments which are analysed by mathematical-statistical tools (chart techniques, indicator technology, the Elliott wave theory, sentiment observations as well as relative strength approaches) and on forecasts of future developments.

Sensitivity of the evaluation parameters:

The figures taken from the statement of income, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks. These may change at any time without prior notice.

Regardless of the evaluation method applied, there exists a very real risk that the price target may not be reached in the anticipated period of time. These risks include unforeseen changes in competitive pressure or in the demand for the issuer's products. Such fluctuations in demand may arise as a result of changes of a technological nature, the overall level of economic activity or in some cases as a result of changes in moral standards. Changes in tax law, in currency exchange rates and, in certain industries, in regulations are further factors which can influence evaluations. This discussion of evaluation methods and risk factors makes no claim to be exhaustive.

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Possible conflicts of interest - As of: 09/24/2009 -

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ON ACCEPTANCE OF THIS DOCUMENT THE RECIPIENT ACCEPTS THAT THE ABOVE RESTRICTIONS ARE BINDING.

As of: - 09/24/2009 -

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