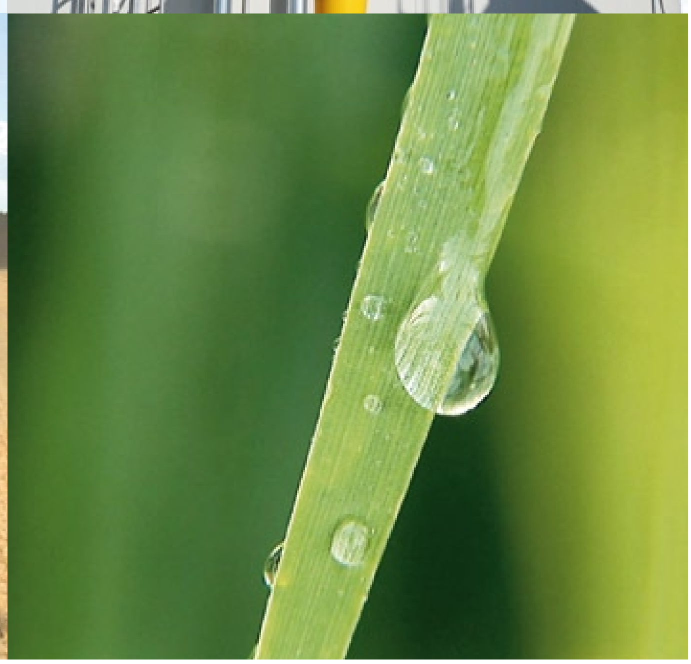
KTG Agrar AG

Ackern für's Leben

Annual Report 2008

Innovative farming



Key figures HGB[1]

EARNINGS SITUATION

EURM	2007	2008	CHANGE
Sales	15.3	26.4	+72.5%
Organic farming	1.2	3.3	+175.0%
Conventional farming	4.7	7.6	+61.7%
Energy production/Biogas	3.3	9.1	+175.8%
Complementary agricultural activities	6.1	6.4	+4.9%
Total output	31.6	48.2	+52.5%
EBITDA	6.1	10.0	+63.9%
EBIT	4.0	7.5	+87.5%
Result from ordinary activities	2.1	5.3	+152.4%
Group results[2]	1.7	4.6	+170.6%

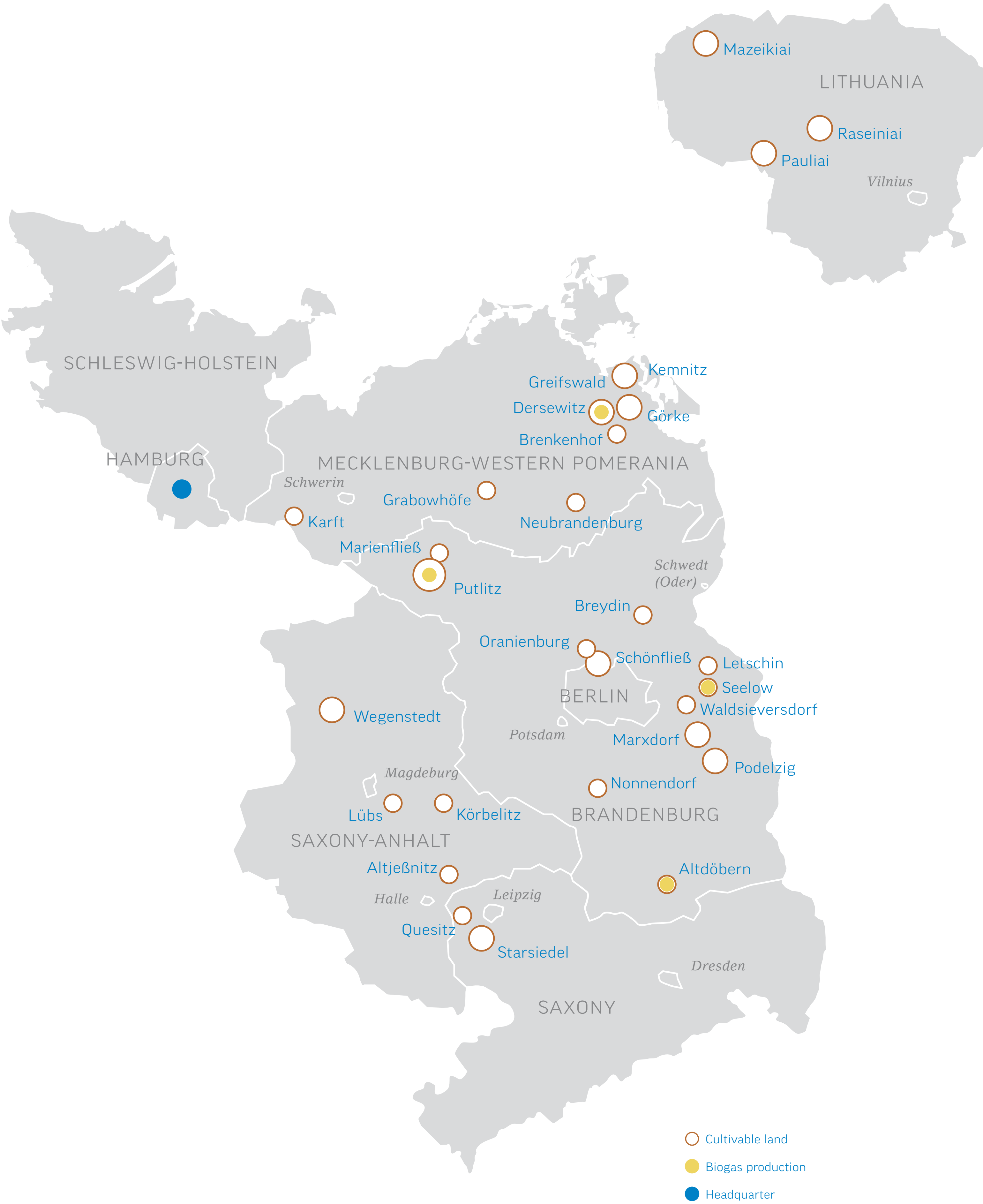
FINANCIAL SITUATION

EURM			
Shareholders equity	29.1	39.2	+34.7%
Liabilities	53.0	66.5	+25.5%
Non current assets	39.7	48.9	+23.2%
Current assets	44.4	57.8	+30.2%
Balance sheet total	84.5	108.0	+27.8%

Land portfolio as at 31.12.2008

HECTARES	GERMANY	LITHUANIA	TOTAL
Total	19,796	5,490	25,286
Leased	18,824	2,131	20,955
Owned	972	3,359	4,331

1 according to the German Commercial Code
2 before costs of IPO in 2007 and capital increase in 2008


Mazeikiai
LITHUANIA
Raseiniai
Pauliai
Vilnius
SCHLESWIG-HOLSTEIN
HAMBURG
Kemnitz
Greifswald
Dersewitz
Görke
Brenkenhof
MECKLENBURG-WESTERN POMERANIA
Schwerin
Grabowhöfe
Karft
Neubrandenburg
Marienfließ
Putlitz
Schwedt (Oder)
Breydin
Oranienburg
Schönfließ
Letschin
Seelow
BERLIN
Waldsieversdorf
Wegenstedt
Potsdam
Marxdorf
Podelzig
Magdeburg
Nonnendorf
Lübs
Körbelitz
BRANDENBURG
SAXONY-ANHALT
Altjeßnitz
Altdöbern
Halle
Leipzig
Quesitz
Starsiedel
Dresden
SAXONY
Cultivable land
Biogas production
Headquarter

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Innovative farming

We want to set standards in innovation and cost-efficiency based on sustainable, integrated production. In this context, the respectful treatment of nature is a key element of our corporate activity. We produce high quality food crops and take advantage of the benefits of large-scale agriculture. With the production of biogas we enter new markets and help to reduce the dependence on conventional energy sources.

With this innovative farming we make our contribution to mastering two major challenges of our times – securing the global food supply and promoting environmentally friendly energy production.


PR
W 981
FENDT


JAGUAR
CLAAS

The global grain production falls short of consumption

DIFFERENCE BETWEEN PRODUCTION AND CONSUMPTION IN MILLION TONS

SOURCE: ACTI BASED ON USDA-DATA

Letter to shareholders

Dear shareholders, dear employees and friends of our company,

"Innovative farming" is not only the theme of this Annual Report but also of the business model that has helped us become one of the leading agricultural companies in Europe over the past 15 years. Moreover, innovative farming is our contribution to mastering two major challenges of our times – securing the global food supply and promoting environmentally friendly energy production.

The years 2007 and 2008 have graphically shown just how quickly agricultural resources and energy can become scarce. This is due to mega trends that will not even be halted by the global economic crisis and the record harvests of the second half of 2008. Some 6.7 billion people live on our earth today and this number is rising by 200,000 every day. They all need food and energy. In the emerging countries, the consumption of meat – and, hence, the demand for feed – is growing constantly. At the same time, farmland the size of Switzerland is lost every year as a result of urbanisation, soil erosion and climate change. So we have constantly growing demand on one side and limited farmland on the other side. Rational and resource-efficient farming is therefore indispensable for our industry.

What is more, demand for energy is growing in line with the world population. Available fossil sources are limited, which means that there is no getting around renewable energy. Besides photovoltaics and wind energy, biomass will make an important contribution to securing our future energy requirements. Farming means responsibility for the fundamentals of life. We take this responsibility seriously and regard it as a chance for the future.

WOLFGANG BLÄSI, SIEGFRIED HOFREITER, DR. THOMAS R.G. BERGER, ULF HAMMERICH, CHRISTOPH FOTH

Innovative farming is the basis of our success – today and in future

We want to set standards in innovation and cost-efficiency based on sustainable, integrated production. In this context, the respectful treatment of nature is a key element of our corporate activity. We focus on farming the land and take advantage of the benefits of large-scale agriculture for both our organic and our conventional cultivation activities. The production of eco-friendly energy is our contribution to reducing the dependence on conventional sources. By using intercrops as an input material for the production of biogas, we increase the efficiency per hectare and prevent nutrients from being washed out of the soil. This kind of innovative farming is the basis of our success – today and in future.

2008 was a successful fiscal year for KTG Agrar. In operational terms, we achieved improvements at all levels. Our total output increased by 52.5% to EUR 48.2 million. Earnings increased at a clearly disproportionate rate. EBIT rose by 87.5% to EUR 7.5 million, while consolidated net profit soared 170.6% to EUR 4.6 million. All divisions contributed to this successful performance.

* before costs of IPO in 2007 and capital increase in 2008

We also continued to evolve strategically and pushed ahead the expansion of our farmland as had been announced. At 25,000 hectares at the end of the fiscal year, our target of 22,500 hectares was exceeded by a wide margin. We have started the 2009 season with as many as 27,000 hectares (as of March 2009) and have thus laid an important foundation for a successful year 2009 – given that farmland is the limiting factor in the agricultural sector and a major precondition for sustainable success.

The production of biogas will also contribute to this success. Following the gradual start-up, our first ten biogas plants – in the meantime their number has risen to twelve – operated at full load for the first full year in 2008. Our conclusion: the investment has paid off. Generating sales of EUR 9 million, the business segment made a good contribution to our growth in fiscal 2008. The steady cash flows also give us the much needed room for manoeuvre in the seasonal crop cultivation segment. We had contracted 70% of our production at high prices in the first six months of 2008. After prices dropped in the second half of the year, we decided not to sell the full harvest but to wait for higher prices instead. At the end of 2008, we had some 50,000 tonnes of grain and maize in store.

Continued growth planned in 2009

We want to continue our growth in 2009 and demonstrate the sustainability of our business model. The aim is to boost both total output and EBIT. In an environment marked by the financial and economic crisis, the agricultural sector has an important advantage over other sectors, namely stable demand resulting from the above-mentioned mega trends. While the prices of agricultural commodities have fallen from their highs, the prices of input materials such as seeds, fertiliser and diesel have dropped as well. We anticipate that our fuel and fertiliser costs alone will be about EUR 1 million lower in 2009 than last year.

We plan to continue our growth in the current fiscal year, with regard to both our farmland and the production of biogas. When it comes to leasing and buying farmland, we intend to grow primarily at the existing locations, where we want to create large units of land to take maximum advantage of the benefits of large-scale farming. We are also targeting other countries but will take such a step only after thorough research. Overall, we plan to grow our farmland to at least 30,000 hectares and to invest roughly EUR 25 million in new biogas plants in 2009 so as to lay the foundation for a successful year 2010.

Top management in place to support continued growth

Mastering this dynamic growth will be an exciting challenge for our company. In 2008, we therefore changed the composition of our Management Board. Dr. Thomas Berger, Wolfgang Bläsi and Ulf Hammerich were appointed to the Board, while Christoph Foth was appointed Vice Member of the Board. Although Werner Hofreiter and Beatrice Ams have resigned from the Management Board, we will continue to benefit from their expertise in future. Werner Hofreiter will continue to oversee the marketing of organic grain, while company founder and majority shareholder Beatrice Ams has taken a seat on the Supervisory Board as planned. This means that the foundation for the successful and sustainable growth of KTG Agrar has been laid at the top management level.

Employing 167 people, we are a small company. Nevertheless, we work towards our shared success on an area the size of 37,000 soccer pitches over a distance of 1,000 kilometres between Leipzig in Germany and Mazeikiai in Lithuania. We would therefore like to thank every single employee for their commitment, passion and team spirit. Our thanks also go to you, our shareholders, for the confidence you have placed in us.

Cordially,

SIEGFRIED HOFREITER
MEMBER OF THE
MANAGEMENT BOARD

DR. THOMAS R.G. BERGER
MEMBER OF THE
MANAGEMENT BOARD

WOLFGANG BLÄSI
MEMBER OF THE
MANAGEMENT BOARD

CHRISTOPH FOTH
VICE MEMBER OF THE
MANAGEMENT BOARD

ULF HAMMERICH
MEMBER OF THE
MANAGEMENT BOARD

Business segments

Organic farming	Conventional farming
Segment benefits from the trend towards healthy diet. For many years the demand for organic food rises with double-digit rates.	Demand for agricultural ressources is dominated by megatrends: Growing world population, economic growth in the emerging countries and enegy from renewable raw materials.
Production of organic food crops and Europe-wide direct distribution to processors like mills and feed. Production according to EU Regulation on Organic Farming. Moreover, many of our farms meet the server rules of notable organisations like Bioland and USDA organic.	Cultivation of high quality conventional food crops. Utilisation of the know-how from organic cultivation. Europe-wide direct distribution to processors like cereal producers and mills.
- Corn maize - Wheat - Rye - Spelt - Oats - Triticale - Lupines	- Corn maize - Wheat - Rye - Barley - Rape
	
10,000 he	15,000 he

BUSINESS SEGMENT	Energy production / Biogas	Complementary agricultural activities
MARKET TREND	Shortage and price increase of fossil energy. Stimulation by the German Renewable Energy Sources Act (EEG).	Efficient cultivation of the limited resource farmland.
BUSINESS ACTIVITY	Operation of biogas plants with self produced renewable ressources (Maize, grass, straw, millet) for the production of electricity, heat and natural fertiliser. As of April 2009 twelve plants with a total capacity of eight megawatts were on the grid.	Consultancy services, purchase and sale of agricultural technology, equipment. Acquisition, development and (in some cases) sale of farms. Around Berlin, KTG grows berries on an area of around 10 ha for people to pick themselves.
CORE PRODUCT / SERVICES	- Electricity - Heat - Organic fertiliser	- Farm management - Special cultures - Agricultural services - Purchase and sale of machinery
SIZE OF THE ACREAGE (ROUND FIGURE IN HECTARES)	2,000 he	10 he

= 200 HE

Organic food for everybody – from the traditional health food store to the supermarket

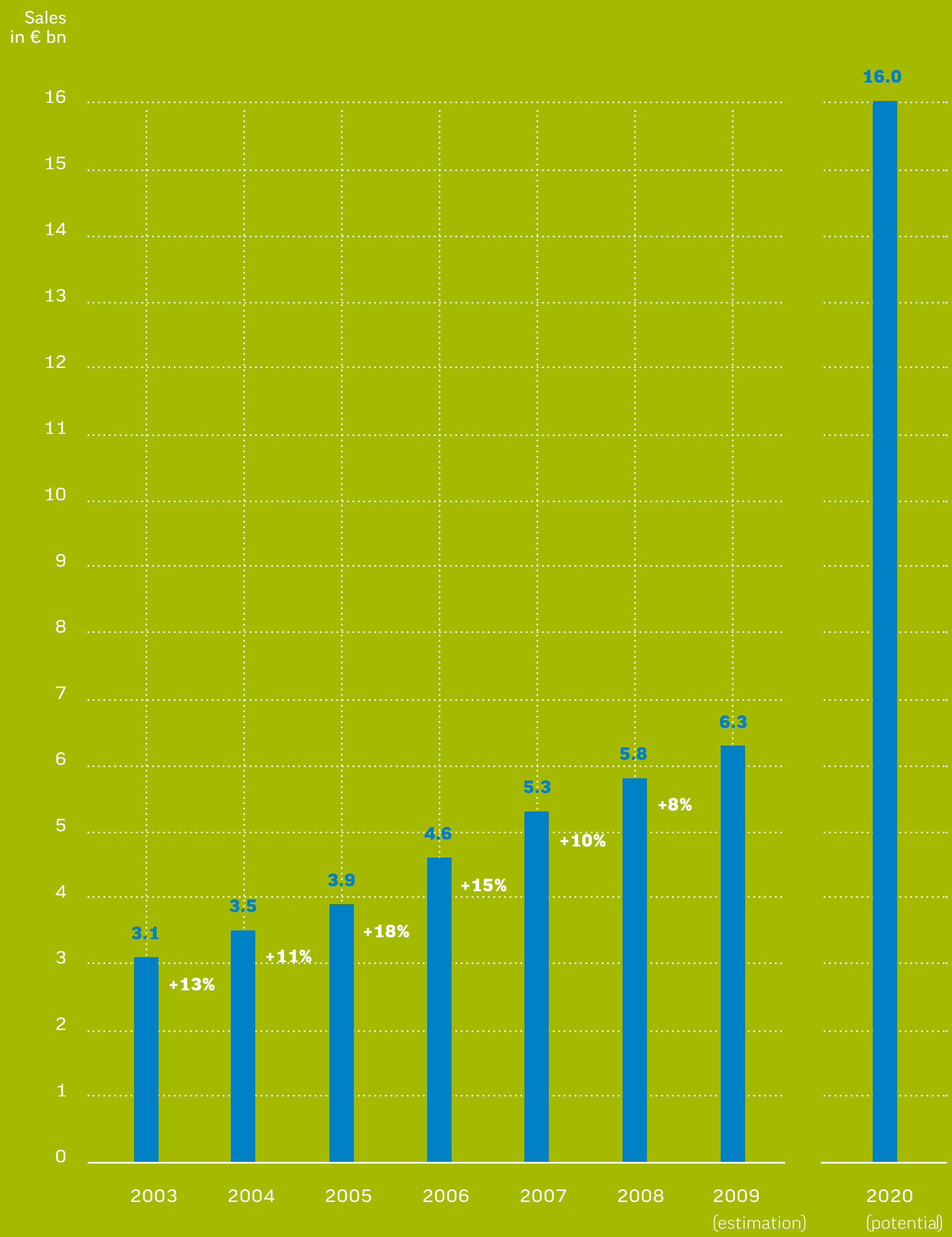
"Organic produce at fair prices" – this was our vision when we began to cultivate food crops such as grain and maize without using fertilisers or pesticides in 1994. At the time, organic products were only found in traditional health food stores and weekly markets. A lot has happened since then; the organic food industry has grown up and affordable organic products have become a regular fixture on supermarket shelves. KTG Agrar has actively shaped this trend from the very beginning.

Processors and retailers today demand large quantities of consistent quality. Especially where food crops are concerned, this would be impossible to achieve without the kind of large-scale cultivation our company engages in. All our organic operations comply with the EU Regulation on Organic Farming. In addition, many of our farm operations also meet the strict requirements of renowned associations such as Bioland, GMP and USDA organic.

We attach top priority to high quality, which we also expect from our suppliers and partners. We voluntarily subject ourselves to strict controls and have our operations checked at least four times a year instead of the required one time. These thorough examinations start with the seeds and end with the control of the products shortly before shipping.

Continuous growth of demand for oganic food

IN GERMANY



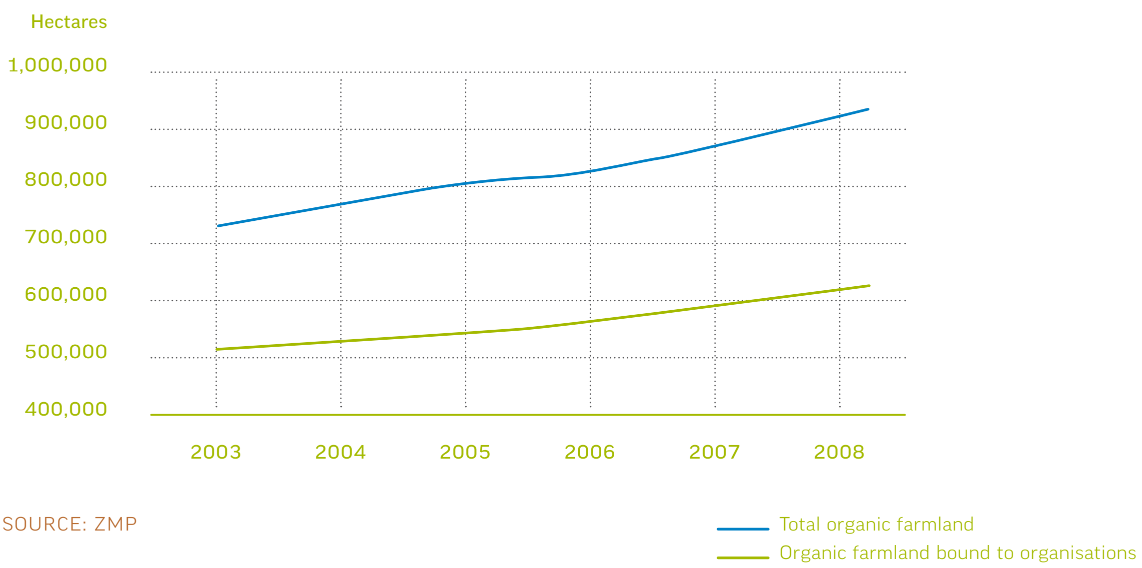
SOURCE: ZMP, ERNST & YOUNG

We are renowned for this due care, which is the key to our success. We have often stepped in when other suppliers supplied products of poor quality or were unable to deliver large quantities of consistent quality in the first place. We have constantly optimised our processes over the years, thus not only increasing the quality of our products but also the yield per hectare. For instance, we use machines instead of chemicals for weed management and employ comprehensive sprinkler systems, which allows us to promise our customers reliable quantities. This way, we have achieved an outstanding market position and today farm almost 10,000 hectares to strict organic standards. We want to continue to grow in this segment going forward and will benefit from the huge potential of this market.

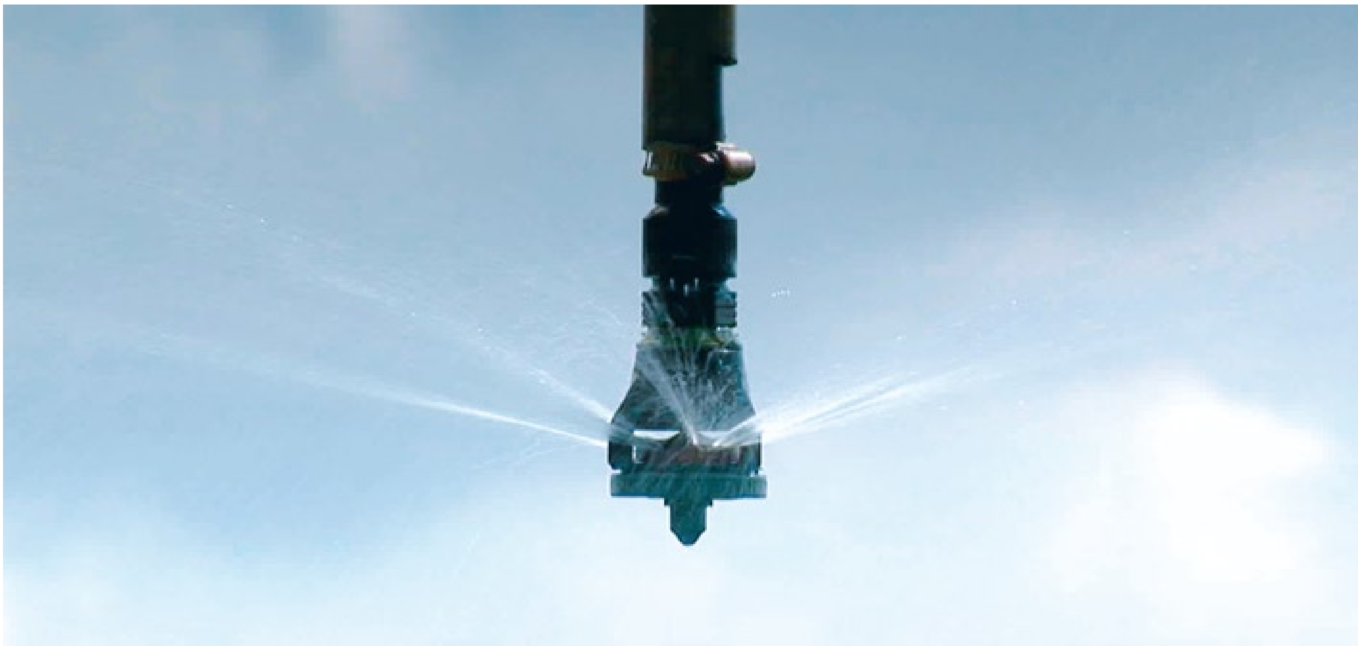
In Germany, demand has been outgrowing supply for many years and can be satisfied only with the help of imports. Especially where imports from non-EU countries are concerned, the desired quality of the products cannot always be guaranteed. Moreover, transporting products over a distance of several thousand kilometres is not really in line with what our industry understands by "environmental compatibility". Also, organic alternatives are clearly not yet available for all conventional foodstuffs. Organic meat and dairy products, for instance, have not achieved the same kind of market penetration as organic eggs. This is simply due to a lack of resources.

Growth of organic farmland not as fast as demand

IN GERMANY



SOURCE: ZMP



The situation in other European countries is similar. But it's not only the attractive growth opportunities that make the cultivation of organic food crops an important business activity for KTG Agrar. Unlike the conventional segment, the organic segment benefits from relatively stable prices. From the raw materials producer to the processor to the supermarket, all parties involved cooperate closely and agree fixed prices – mostly for several years. This gives us planning certainty and more flexibility in the conventional farming segment, where prices have traditionally been more volatile.

The organic food market relies on consumers' confidence in healthy and high-quality products. If the label says "organic", it has to be organic. This makes the industry sensitive to "black sheep" who could potentially cause short to medium term damage. In order to minimise our risk exposure, we therefore decided to also enter the conventional farming market back in 2000. But here, too, we set high quality standards to distinguish ourselves from our competitors. For instance, we have adopted such organic farming methods as flue gas-free dryers which enable much gentler processing. This good quality is primarily appreciated by producers of muesli and flour, who are willing to pay a higher price for it.

FLUE GAS-FREE DRYERS PROVIDE QUALITY AND ARE OPERATED WITH ECO-FRIENDLY ENERGY FROM OUR BIOGAS PLANTS.

✱ WITH OUR SPRAY-IRRIGATION SYSTEM WE REACH SOLID HARVESTS.

Farmland – the basis of our business and a safe investment

Over the past years we have grown steadily and meanwhile farm 27,000 hectares – an area of the size of 37,000 soccer pitches. While we want to continue this growth in future, we will expand our operations with circumspection and in accordance with clearly defined rules. As a general rule, we only invest in farmland that we can still farm successfully in 20 years' time.

This primarily depends on the quality of the soil and the amount of precipitation. Soil quality can differ materially within a few hundred kilometres, which is why detailed analyses are required before any acquisition or lease. Other factors immediately exclude certain parts of Europe.

Take the probability of precipitation for instance. Climate change will greatly influence the agricultural sector in the coming decades. In southern countries, crop failures regularly occur already today as a result of drought periods. Even climate protection measures will be able to stop this trend only in the long term. The weather of the next 20 years is already "pre-programmed" so to speak.

Apart from this, legal certainty is a must, especially when buying land. Especially in Eastern Europe, the ownership status is not always clear and land registers do not necessarily exist. Last but not least, the land should have an above-average potential for value increases. Based on such an analysis, we ventured to Lithuania in 2005. The quality of the soil is good, the favourable climatic conditions, which are marked by mild winters and high precipitation, guarantee relatively safe harvests also in the long term. The geographic location of the Baltic state supports an efficient distribution: Lithuania's ice-free port of Klaipeda allows us to ship produce to Germany, the UK, the Netherlands and Denmark all year round.

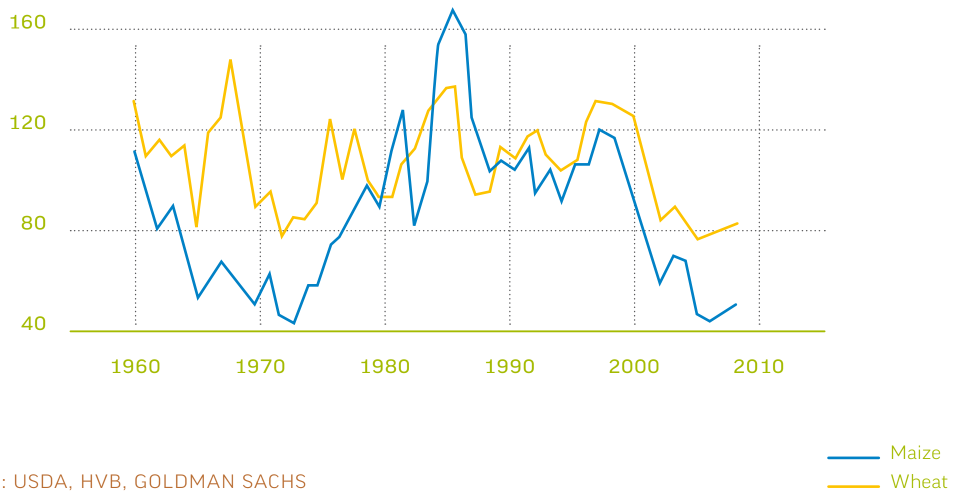
And finally, the high legal certainty guaranteed by the electronic land register makes Lithuania, which is a full EU member, an ideal location. In spite of this excellent environment, the prices of farmland are still relatively low. Although prices in Lithuania have increased almost fourfold to EUR 3,000 per hectare over the past four years, they are still low compared to eastern and western Germany, where a hectare costs roughly EUR 8,000 and more than EUR 25,000, respectively.

This is why we will continue to expand our farmland, with a focus on our existing locations in east Germany and Lithuania, where we benefit from many years of experience. Our operations have strong roots in the regions, our sustainable farming policy is well known and we can take maximum advantage of the potential synergies of large-scale farming. Here we also have the possibility to combine individual plots to form large areas of farmland, which increases their value.

But we also look further and are targeting other countries in Eastern Europe.

Wheat and maize stocks

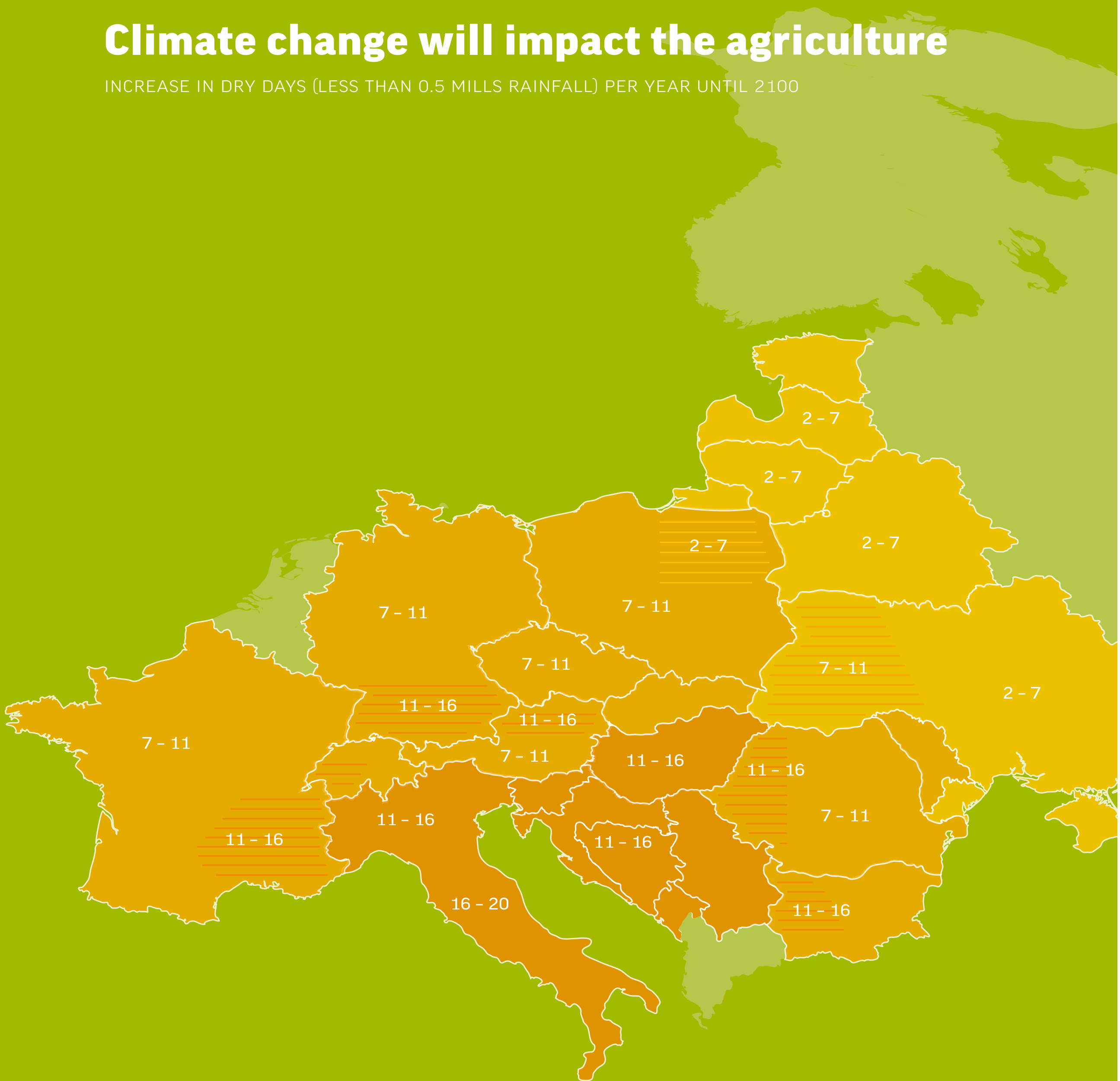
IN DAYS



SOURCE: USDA, HVB, GOLDMAN SACHS

Climate change will impact the agriculture

INCREASE IN DRY DAYS (LESS THAN 0.5 MILLS RAINFALL) PER YEAR UNTIL 2100



While for Southern and Southeastern Europe declining crop yields are expected, in Middle and Eastern Europe higher crop yields are possible.

SOURCE: UK-MODEL HADRM3P; FINK ET AL., WEATHER 59 (2004), P.214

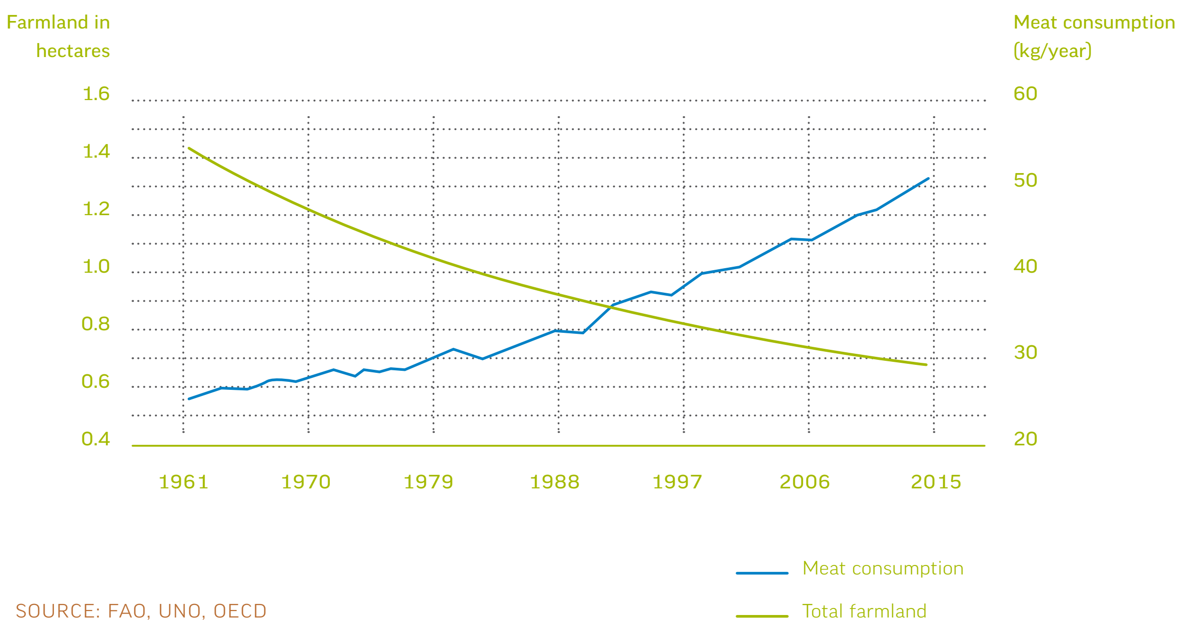
There are many regions which offer not only the right soil quality and the right amount of precipitation but also very attractive prices. This is the right basis for long-term value creation.

After all, the prices of farmland are certain to rise. This is due to the fact that farmland cannot be multiplied – in fact, it is on the decline. According to the Food and Agriculture Organisation (FAO), some 0.5 percent of the world's farmland is lost per year as a result of urbanisation, soil erosion and climate change. This is more than the size of Switzerland. At the same time, the world population is growing by approx. 80 million people per year. The available arable land per person will decline from 0.45 hectare in 1960 to 0.21 hectare in 2020.

Moreover, growing meat consumption in the emerging countries and the need for energy from renewable sources is leading to constantly rising demand for agricultural resources. This is why farmland is in such high demand and a safe long-term investment.

Total farmland and meat consumption per capita

GLOBAL



SOURCE: FAO, UNO, OECD

Efficient farming in harmony with nature

Even though we benefit from rising land prices, we are first and foremost farmers who are committed to efficient farming in harmony with nature. This is achieved through specialisation and size. In both the organic and the conventional segment, we concentrate on large-scale farming. This produces advantages on the fields and beyond. Large areas of farmland not only allow us to use the most modern and largest machines but also to use them much longer.

This is impressively demonstrated by the "journey" of our combine harvesters. Every summer, they harvest some 900 hectares. This way, the utilisation of the machines is increased by over 50 percent per year. With a purchase price of approx. EUR 250,000 per unit, this is an important factor. But we work efficiently not only on the fields. These days, a farmer running a small operation needs to be an accountant, lawyer, mechanic and much more at the same time. These tasks can hardly be managed by an individual. In contrast, we rely on teams of specialists in every area contributing to our shared success.


CLAAS


CLAAS

The route of the harvest

An integrated concept for increased efficiency and income

For long-term success, you not only need a tried-and-tested business model and an efficient team you must also be willing to move forward and act on sensible opportunities. That is what we are. This was the case when we entered the conventional farming sector – which was an obvious step. A major step followed in 2006, when we entered the energy generation sector. Following thorough analyses, high investments and a gradual start-up, our first ten plants – today there are twelve – operated at full load for the first full year in 2008. Our conclusion: the investment is paying off.

The generation of energy from biogas ideally complements the cultivation of food crops. It generates stable revenues and a good margin, allows us to leverage synergies and gives us additional financial flexibility.

In the context of our integrated concept, we currently operate twelve biogas plants with a total electrical output of approximately eight megawatts (MW) and produce eco-friendly electricity and heat. The renewable resources used as input materials are grown on our own land in the immediate vicinity of the biogas plants which even use agricultural waste such as grass and straw. Apart from maize silage, we increasingly use sorghum as an input material. This "intercrop" is sown after the grain harvest in the summer and harvested in November,

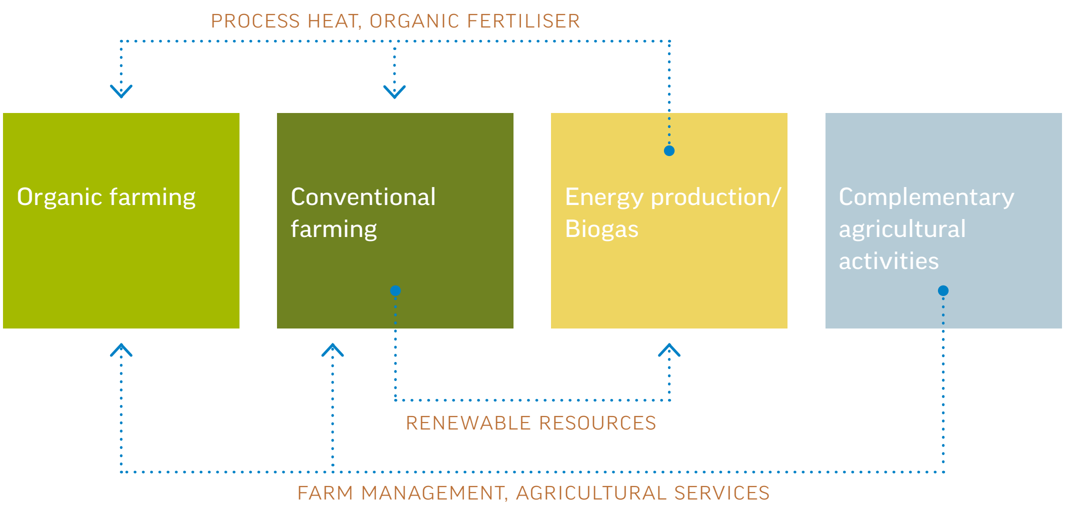
❋ WE PRODUCE ELECTRICITY FOR 15,000 HOUSEHOLDS FROM STRAW, GRASS, MILLET AND MAIZE AND GET A NATURAL FERTILISER FOR OUR FARMLAND.

thereby increasing the utilisation of our machines. Intercrop management also has benefits for the quality of the soil in that it reduces leaching.

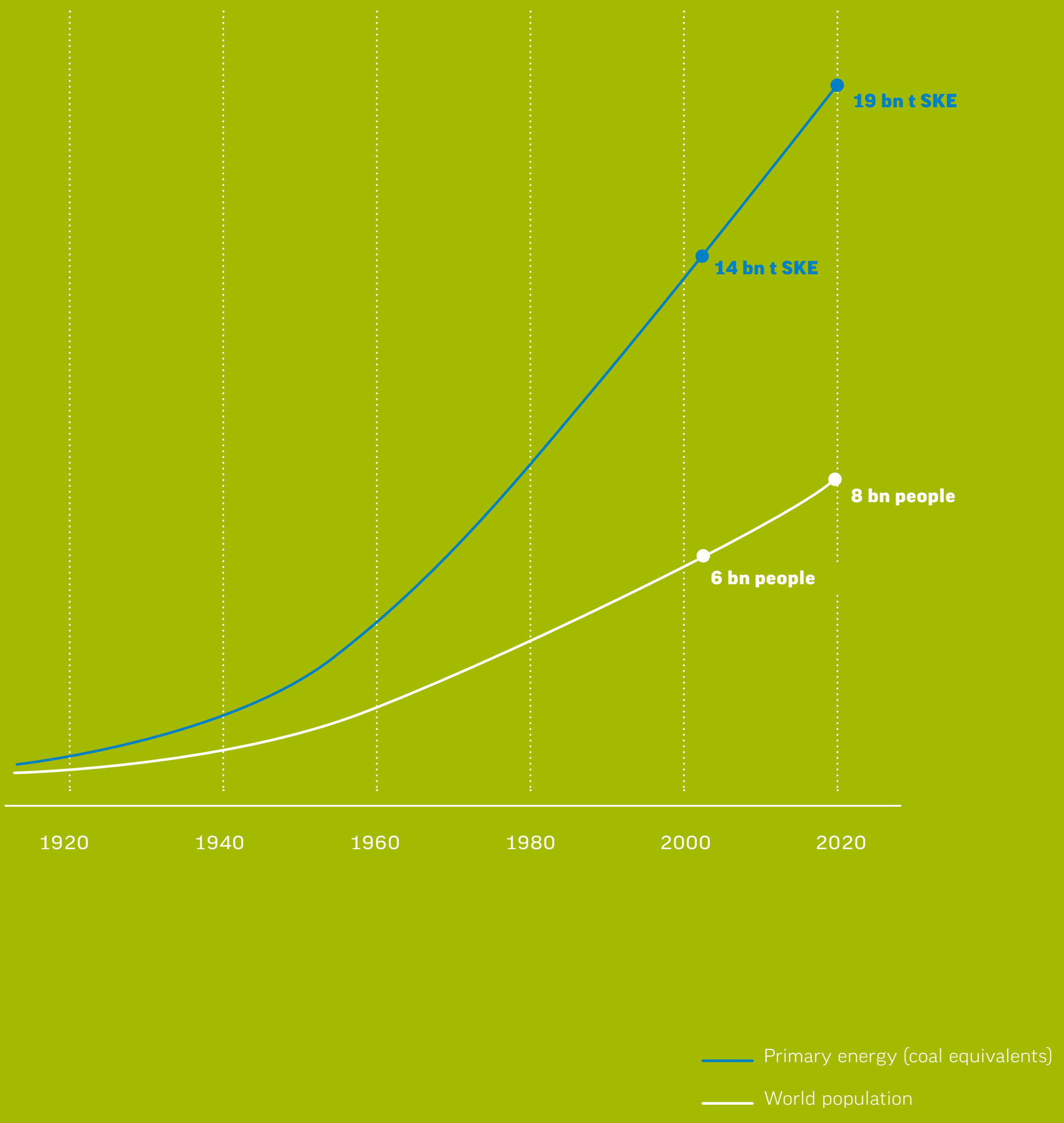
A look at the output side also highlights the added value of biogas production. The electricity is fed into the public grid and supplied to over 15,000 households on a 24/7 basis. Part of the heat produced in the process is used by our company, e.g. to heat the administrative buildings and dry the grain. But we need only a small amount of this heat.

The rest is supplied to nearby communities, companies or public-sector facilities – at a price that is clearly below that charged by the local utilities. The beauty of it all is that the fermentation residues generated during the production of biogas can be used as a natural fertiliser for both organic and conventional cultivation. We take them back to the fields, save costs and close the natural cycle. This is what we understand by innovative farming.

Integrated concept of the KTG Group



Mega trends: Growing world population and energy demand



SOURCE: BUNDESANSTALT FÜR GEOWISSENSCHAFTEN

Investor Relations

Negative trend in the global stock markets

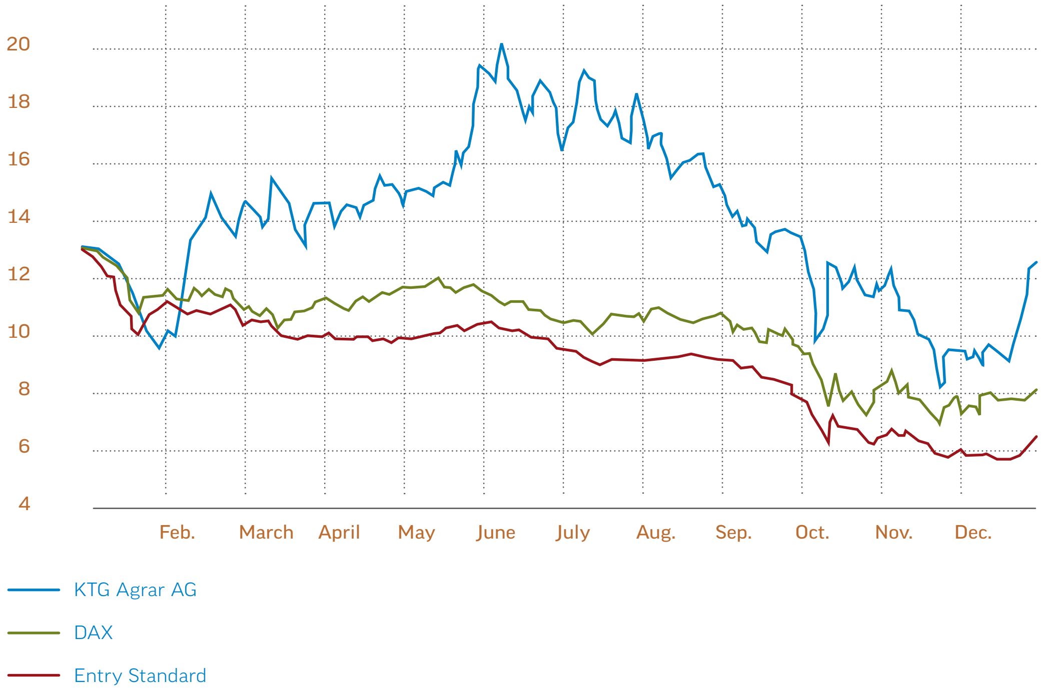
2008 was a difficult year for the stock market, with indices across the globe suffering substantial losses. This was triggered by the US mortgage crisis, which evolved into a financial and economic crisis in the course of the year. Especially after the bankruptcy of Lehman Brothers in the USA and its effects on the global financial system, share prices slumped around the world. The German DAX® benchmark index lost 50 percent of its January 2008 level of 8,100 points and closed the year at 4,810 points – a loss of approx. 40 percent. The performance of the Entry Standard, in which KTG Agrar is listed, was even more negative, as reflected in a loss of 53%.

KTG share outperforms the market

The KTG share performed much better than the market as a whole. Driven by rising agricultural prices, the share initially even showed a positive trend, rising from EUR 12.40 at the beginning of the year to EUR 20.50 in June. But this price level was not maintained. As a result of falling agricultural prices and a deteriorating market, the price of the KTG share declined as well. The share closed the year at EUR 12.45, which represented a moderate gain. The market capitalisation stood at EUR 58.9 million at the end of the year.

PERFORMANCE OF THE KTG SHARE

COMPARED TO DAX AND ENTRY STANDARD



BASIC INFORMATION ON THE SHARE

ISIN	DE000A0DN1J4
Stock market symbol	7KT
Segment	Entry Standard
Designated sponsors	equinet, DZ Bank
52-week high	EUR 20.50
52-week low	EUR 8.00
Year-end price	EUR 12.45
Number of shares	4,730,000 shares
Market capitalisation at the end of the year	EUR 58.9 million

SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2008

Beatrice Ams	55%
Free float	45%

First ordinary Annual General Meeting in Hamburg

The first ordinary Annual General Meeting of KTG Agrar was held in Hamburg on 25 July 2008. The Management Board used this opportunity for an intensive dialogue with the shareholders about the company's business model as well as the opportunities and challenges facing the agricultural sector. The shareholders endorsed the company's policy, with 100 percent of them approving the acts of the Management Board and the Supervisory Board. All other items on the agenda were approved by a majority of 99 percent. Beatrice Ams, company founder, majority shareholder and former Management Board member was elected to the Supervisory Board, from which Barbara Podas resigned. The shareholders also approved the company's growth strategy and authorised the Management Board to issue option and convertible bonds and to create conditional capital.

Capital increased by ten percent to finance growth

On 29 August, the capital was increased by ten percent in an ex-rights issue to 4,730,000 shares. equinet AG placed 430,000 new shares with institutional investors by way of an accelerated bookbuilding. Based on an offering price of EUR 15 per share, KTG Agrar generated proceeds of EUR 6,450,000.

Intensive communication with the capital market

Since the IPO in November 2007, KTG Agrar has been the first agricultural company listed on a German stock exchange. The company has committed itself to educating the capital market about this sector and raising awareness of its future potential through transparent and intensive communication. Apart from providing comprehensive information on its website and issuing regular publications, the company attaches special importance to personal contacts. In 2008, the Management Board presented the company at seven investor conferences and organised eight roadshows in Frankfurt, London, Stockholm, Basle and Zurich. Regular press relations led to numerous reports in investor magazines, newspapers and stock market newsletters. Analysts from equinet and Independent Research regularly published studies on KTG Agrar. DZ Bank will begin to cover the KTG share in 2009.

Report of the Supervisory Board

Dear shareholders,

2008 was a very dynamic fiscal year. We not only boosted our total output and earnings but also achieved a considerable expansion of our cultivable land, which is the very foundation of our business. To manage this growth and continue it in future, many new employees were hired. The Supervisory Board actively supported these trends. At the same time, we supervised and examined the Management Board in accordance with our tasks. We monitored the effects of the financial crisis on KTG Agrar very closely and are pleased to report that the company is soundly financed and well positioned for sustainable growth also in future.

In the fiscal year 2008, the Supervisory Board performed all the tasks defined by law and by the company's statutes with great care and addressed the economic and financial situation of the company as well as its strategic approach. We also paid close attention to the market environment, risk management and compliance. The Management Board regularly informed us about the situation of the company both orally and in writing. All reports were analysed at the Supervisory Board meetings and discussed openly and in detail with the Management Board. In addition, the Chairmen of the Supervisory Board and the Management Board had regular phone conversations. We advised the Management Board on managing the company and monitored the conduct of business. We were involved at an early stage in all decisions of fundamental importance for the company. Matters requiring our approval were submitted to us by the Management Board in due time. Where this was required by law or by the statutes, we approved all reports and resolution proposals of the Management Board. Conflicts of interest on the Management Board or the Supervisory Board, which must immediately be disclosed to the Supervisory Board and reported at the Annual General Meeting, did not occur in 2008.

Key aspects of the supervisory and advisory activities

The Supervisory Board held five ordinary meetings and one constituent meeting in the fiscal year. With the exception of the meeting on 13 June, all meetings were attended by all members.

All measures of great significance to the company and the Group – including those that did not require approval – were discussed in detail with the Management Board. Short-term corporate planning, the medium to long-term strategy and the corporate structure as well as the risk management activities – with regard to both the company and the Group – were also discussed at the meetings. Our discussions primarily focused on the operating performance and the situation in the agricultural and financial markets.

Detailed description:

At the first meeting of the fiscal year 2008, which was held on 16 May 2008, we approved the separate and the consolidated financial statements for the year 2007 following thorough review and discussion with the auditors and defined the agenda for the Annual General Meeting on 25 July 2008. The responsibilities of the Management Board members were redefined following the appointment of Wolfgang Bläsi as Chief Financial Officer.

The meeting of 13 June focused on the Management Board's report on the expansion of the company's cultivable land in the first half of the year and the outlook on the Group's future growth. We discussed the medium-term plans for the Biogas segment and were informed of the state of the preparations of the interim report.

Following the resignation of Mrs Barbara Podas from the Supervisory Board with effect from the end of the last Annual General Meeting on 25 July 2008, Mrs Beatrice Ams was elected to the Supervisory Board by the Annual General Meeting. The new Supervisory Board held its constituent meeting on 25 July 2008 following the Annual General Meeting. At this meeting, Siegfried Koch was re-elected Chairman of the Supervisory Board, while Bert Wigger was appointed Vice Chairman. At the meeting on 12 September, we addressed the growth in cultivable land and the planned acquisitions in Germany. The Management Board then informed us about the good start of the 2008 harvest season. We also discussed the expansion of the Management Board.

At the Supervisory Board meeting on 2 October, we decided to appoint Thomas R.G. Berger and Ulf Hammerich to the Management Board and discussed a reorganisation of the responsibilities of the Management Board members. At the beginning of November, Christoph Foth was appointed vice member of the Management Board to make the Board complete. At the last meeting of the fiscal year, on 3 December, the Management Board reported on the total 2008 harvest. We also conducted a thorough review of the company's and the Group's planning for 2009 and the ongoing expansion strategy.

At these meetings and in the periods between the meetings, the Management Board fulfilled the information duties imposed on it by law, the statutes and the code of procedure in a timely and complete manner by providing explanations and, wherever possible, by submitting figures, organisational charts and other documents. The Management Board was available at all times to answer the questions of the Supervisory Board. In particular, the Management Board informed the Supervisory Board on 3 December 2008 about the situation and the future trends in the field of biogas production. The reporting duties of the Management Board defined by the German Stock Corporation Act (section 90 AktG), which are reflected in the code of procedure for the Management Board in the form of a duty to prepare quarterly reports as well as an annual report, were fulfilled in time by the Management Board at the Supervisory Board meetings held in the course of the year. In accordance with its code of procedure, the Management Board also presented a business plan.

On two occasions in the fiscal year 2008, the Management Board asked the Supervisory Board to approve certain measures that require the Supervisory Board's prior consent pursuant to the code of procedure. The first request related to the amendment of the Schedule of Responsibilities of the Management Board. The second request related to the acquisition of a company. The Supervisory Board approved both requests.

In the fiscal year, the Supervisory Board amended the code of procedure for the Management Board; the amendments related to the Management Board's reporting duties towards the Supervisory Board, the regulations governing the business plan and the definition of transactions requiring approval.

In fiscal 2008, the Supervisory Board had no reason to exercise its inspection rights pursuant to section 111 para. 2 of the German Stock Corporation Act

(AktG), according to which the Supervisory Board may inspect and examine the books and documents of the company as well as its assets, namely bank accounts and inventories.

However, the Supervisory Board has ensured the legitimacy of the business management by regular talking to the person in charge of different company divisions. The Supervisory Board also satisfied itself of the fact that the Management Board has taken measures that are appropriate in relation to the size of the company to ensure compliance with laws and regulations including the definition of the respective responsibilities. A risk management system for the company and the Group is in place.

Changes on the Management Board and the Supervisory Board

Several changes on the Management Board and the Supervisory Board occurred in 2008. We are convinced that these have laid the foundation for the successful and sustainable growth of KTG Agrar. With effect from 3 April 2008, we appointed Wolfgang Bläsi to the Management Board. Further additions to the Management Board were required in the course of the year due to the dynamic growth and the excellent prospects of the company. Dr. Thomas R.G. Berger and Ulf Hammerich were therefore appointed to the Management Board with effect from 1 October 2008. Christoph Foth was appointed vice member of the Management Board on 1 November 2008. Werner Hofreiter and Beatrice Ams resigned from the Management Board but will maintain close relations with the company. Werner Hofreiter will actively support the marketing of organic grain, which is an important segment of KTG Agrar. Company founder and majority shareholder Beatrice Ams was appointed member of the Supervisory Board by the 2008 Annual General Meeting; in this capacity, she will be involved even more than before in the strategic development of the company. Barbara Podas resigned from the Supervisory Board on 25 July. The Management Board and the Supervisory Board would like to thank her for her achievements and her commitment to the company.

Thorough review of the separate and consolidated financial statements

The separate financial statements, the consolidated financial statements and the Group management report were prepared to the standards of the German Commercial Code (HGB). The separate financial statements of KTG Agrar AG, the consolidated financial statements and the Group management report were audited by FALK & Co. GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Berlin, which declared that they fully comply with the principles of the German Commercial Code and issued unqualified audit certificates.

We received the above documents and the Management Board's profit appropriation proposal in good time prior to the Supervisory Board's annual accounts meeting on 5 May 2009. At this meeting, the separate financial statements, the consolidated financial statements and the Group management report as well as the audit reports were discussed in detail – especially with regard to the accounting and reserve policy – in the presence of the auditor and the Management Board. The auditor informed us about the course and the results of the audit and was available to answer questions and provide additional information. All questions were answered in full by the Management Board and the auditor. The auditor issued no special remarks regarding the separate financial statements and the consolidated financial statements as approved by the Supervisory Board.

In its own review of the separate and the consolidated financial statements for the period ended 31 December 2008, the Supervisory Board detected no violation of general legal provisions governing the separate and consolidated financial statements. According to the results of the Supervisory Board's review, the disclosures and documents required by law were presented clearly and completely. The audit reports of the auditors of the separate financial statements and the consolidated financial statements meet the legal requirements.

The Supervisory Board reviewed the Group management report together with the separate and the consolidated financial statements. The Management Board explained the Group management report in detail to the Supervisory Board. Based on its review, the Supervisory Board concludes that the Group management report is complete and contains all information required by law. The estimations provided by the Management Board in the Group management report are in accordance with the reports presented by the Management Board to the Supervisory Board at the Supervisory Board meetings held in the course of the year. Based on its own assessment of the situation of the Group and the future performance and trends, the Supervisory Board has arrived at the same estimations. The Supervisory Board is of the opinion that the Group management report provides a realistic presentation of the Group and its prospects.

Based on our own review, we agree with the result of the audit performed by the auditor. Following its review, the Supervisory Board raised no objections. We endorsed the separate financial statements, the consolidated financial statements and the Group management report prepared by the Management Board at our annual accounts meeting. The financial statements of KTG Agrar AG have thus been approved.

Acknowledgements

We would like to thank all employees and the Management Board for their commitment in the past fiscal year. Together, we achieved an excellent result and laid the foundation for a successful year 2009. Our thanks also go to our customers, business partners and shareholders for the confidence placed in us. KTG Agrar is well positioned and intends to use the opportunities that arise to achieve sustainable growth.

Hamburg, 5 May 2009

Siegfried Koch
Chairman of the Supervisory Board

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for the financial year 2008

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1 Business activity and business environment

1.1 Business activity

Over 25,000 hectares of arable land make KTG Agrar a leading producer of agricultural resources in Europe. The company's farmland is located in Germany and Lithuania, which is a full member of the European Union. We specialise in the cultivation of food crops such as grain, maize and rape and continue to draw on our clearly defined core competencies in organic farming, conventional farming and energy generation from biogas. We rely on an integrated business model, in which these segments are closely linked. This way, we leverage synergies, increase our efficiency and create high value added for the Group.

KTG Agrar AG is the holding company of the KTG Group. Our business activity is divided into four segments, which are closely related and mutually benefit each other:

ORGANIC FARMING

Organic farming was the first business segment of KTG Agrar and continues to operate to the strict rules of the EU Regulation on Organic Farming. Our branches also comply with the requirements of associations such as Naturland, Bioland or others. Thanks to our long-standing experience and our leading market position, we deliver directly to leading processors such as mills and feed producers in Germany, Denmark, the Netherlands and the UK. We attach great importance to close, long-term partnerships with our customers. These relationships are conducive to high transparency in the processing chain, good planning certainty for all parties involved and high safety for the consumer.

CONVENTIONAL FARMING

Since the year 2000, KTG Agrar has also cultivated conventional food crops. This business segment benefits from the expertise of the organic farming segment and also operates to high quality standards. This is why most of our customers are food producers that are dependent on high-quality agricultural resources, such as producers of muesli and flour. The products are marketed directly to processors in Germany and abroad. The main focus is on the European Union, with Germany making the biggest contribution to sales.

ENERGY PRODUCTION/BIOGAS

In 2006, KTG Agrar decided to establish a third core competency, namely the production of energy from biogas. This segment ideally complements the other two. The necessary renewable resources are grown on the company's own land in the immediate vicinity of the biogas plants. Apart from energy maize, we use waste such as grass and straw. We also make increasing use of sorghum, which is grown as an intercrop following the grain harvest. The electricity generated is fed in to the public grid. The heat is partly used by our company itself but is also supplied to companies and private households. The fermentation residues generated in the process are used as a fertiliser in the cultivation of food crops.

COMPLEMENTARY AGRICULTURAL ACTIVITIES

This business segment primarily serves to ensure the efficient utilisation of available resources within the KTG Group. This mainly includes the acquisition and development of farm operations (farm management) as well as agricultural trading. The segment also cultivates and markets special cultures (berry crops) in the Berlin region.

1.2 Strategy

Our vision is our strategy – we want to be the champion in innovative farming. Our sustainable, integrated production policy sets the standards for innovation and efficiency. We are growing in profitable markets. Sustainable success is the goal of our corporate activity.

1.3 Economic environment

1.3.1 Overall economy

In 2008, the world economy went through two very different phases. While the first months of the year were marked by sound growth, rising commodity and energy prices and high inflation, this situation changed materially in the ensuing months. The property crisis, which had started in the USA in mid-2007, gradually turned into a global financial crisis, which materially affected other sectors as well. It is only thanks to a good first half-year and relatively robust growth in the emerging markets that the world economy expanded by 3.3% in the year 2008 as a whole.

Growth slowed down rapidly in the second half of the year, especially in the industrialised countries. Full-year GDP increased by a moderate 1.3% in Germany, by 0.7% in the euro-zone and by 1.1% in the USA. A 0.7% decline in Japan's full-year GDP, which was due to a slump in exports in the second half of 2008, meant that the Japanese economy slid into recession.

1.3.2 Industry environment

AGRICULTURAL RESOURCES

2008 was a year of contrasts also for agricultural commodities. Driven by record lows in global grain reserves supported by speculation in the futures markets, agricultural prices reached record levels in the second quarter. This was followed by a marked correction until year-end. In December 2008, the price of wheat was about 50% below the previous year's level. The prices of rape and maize showed a similar trend. One of the reasons for the slump in prices was the good harvest of 2008. On the one hand, the latter is attributable to favourable weather conditions. On the other hand, the rapid increase in prices in the past years led to the reactivation of unused land, which increased the available global farmland. As a result, the harvests exceeded consumption for the first time in many years. The US Department of Agriculture estimates that 2,225 million tons of wheat were harvested around the world in the 2008/2009 season, while 2,155 million tons were consumed.

The important organic food market continued to grow in the reporting period. In Germany, sales of organic food increased at a double-digit rate for the fifth consecutive year, namely by 10% to EUR 5.8 billion (source: ZMP). The market would probably have grown at an even higher rate if there had been sufficient agricultural commodities. Accordingly, the drop in prices was relatively moderate compared to the conventional sector. The price of bread wheat, for instance, declined from approx. EUR 420 per ton to EUR 390 per ton. The organic market has thus once again proven to be much more stable and less volatile than the conventional market. According to the "Zentrale Markt- und Preisberichtstelle (ZMP)", products from German farming associations commanded substantial premiums, which is good news for our company.

BIOGAS

In 2008, a new legal framework for the future subsidisation of biogas was established in Germany, which KTG Agrar regards as positive overall.

The Gas Grid Access Directive was amended in March 2008. As a result, the feeding of biogas into the natural gas grid is now governed by law. The new Directive provides for certain costs of the feeding in of gas to be passed on to the grid operators. Besides the sale of electricity and heat, this opens up another attractive possibility for marketing biogas.

In June 2008, the German Bundestag adopted the amendment of the German Renewable Energies Act (EEG). The new EEG provides for the continued subsidisation of biogas and established attractive conditions for KTG Agrar. The bonus for the generation of energy from renewable commodities ("NawaRo bonus") and the combined heat and power (CHP) bonus have been increased. Moreover, a liquid manure bonus of up to four cents per kilowatt hour (kWh) has been introduced with a view to reducing methane emissions. Another new regulation is the additional bonus of one cent/kWh for biogas plants meeting certain formaldehyde limits.

2 Business performance in 2008

2.1 General statement on the business performance

The Management Board of KTG Agrar is very satisfied with the business performance in 2008. As we had planned, we achieved strong growth in terms of total output, earnings and arable land. All business segments contributed to this positive performance. The expansion of our arable land is particularly positive and important for our sustained success; after all, farmland is the limiting factor in the agricultural sector and the precondition for continued growth. We have a very sound earnings, financial and net worth position to realise our investment projects and continue the successful performance.

2.2 Land portfolio

We clearly expanded our farmland in the period under review. At the beginning of the year, our portfolio comprised some 18,000 hectares of farmland, which was increased to over 25,000 hectares by the end of 2008 through acquisitions and leases. This represents an increase by almost 40% and exceeds our original projections by 2,500 hectares.

With approx. 19,800 hectares, most of our farmland is located in Germany (previous year: 14,643 hectares). The remaining approx. 5,500 hectares are situated in Lithuania (previous year: 3,339). As we expect land prices in Lithuania to increase at an above-average rate in the long term, the percentage of company-owned land in Lithuania (over 60%) is much higher than in Germany (approx. 5%).

2.3 Biogas – plant efficiency above plan

In 2008, our ten biogas plants operated at full load for the first full year. As we had planned, we completed a learning curve as we continued to increase the efficiency of the plants in the course of the year. The results are highly positive and clearly vindicate our decision to build up a third business segment which ideally complements the cultivation of food crops. The plants are located in the immediate vicinity of our farmland, we use residues such as grass and straw and have achieved good results with sorghum, which is used as an intercrop. The operating performance reached our high expectations, especially because we were able to raise the performance in the course of the year. We will expand this business segment going forward. At the end of 2008, an additional biogas plant was completed in Putlitz, which means that KTG Agrar had eleven plants with an electrical output of approx. 7.5 MW online at the end of the year.

2.4 Employees – success through teamwork

As of 31 December 2008, KTG Agrar employed 167 people, thereof approx. 50 in Lithuania. Our success hinges on the expertise and motivation of our team. In the meantime, we cultivate an area that is larger than the island of Malta. This is a huge organisational and logistical challenge, which requires the strong commitment on the part of every single employee. Our human resources policy aims to keep employees with the company as long as possible to benefit from experience and achieve joint success. We therefore invest regularly in our human resources. Regularly seminars and workshops serve for further education and team-building. Thereby, in order to organise this division even more professionel we have external backup since summer 2008. Agriculture is a business with a promising future, which is why we also train young people (currently 6) in commercial and industrial professions.

3 Earnings position

3.1 Development of total output and sales

In fiscal 2008, total output increased by an impressive 52.5% from EUR 31.6 million to EUR 48.2 million. It comprises sales revenues, increases in inventories, own work capitalised and other operating income. All business segments contributed to the increase. In the farming segments, a portion of the harvest was already contracted in the first and second quarter. The contracts usually run until the next harvest. Sales in the conventional farming segment increased by 61.7% from EUR 4.7 million to EUR 7.6 million. The organic farming segment benefited from the growth in the organic food sector. At EUR 3.3 million, sales in this segment was up by 175% on the previous year. The performance of the biogas segment was also very positive. Our ten biogas plants operated at full load for the first full year. This segment achieved a total output of EUR 9.1 million in the fiscal year, up 175% on the previous year. Complementary agricultural activities contributed EUR 6.4 million to the Group's sales.

3.2 Costs

Our cost situation in 2008 was mainly marked by the expansion of the farmland. Due to skilled purchase management, we were able to largely compensate the higher commodity prices. The cost of materials climbed from EUR 12.5 million to EUR 15.1 million and mainly comprises expenses on raw materials and supplies such as fertiliser, seeds and fuel. Due to the higher total output, the cost of materials as a percentage of total output declined from 39.4% to 31.2%. Personnel expenses climbed from EUR 3.5 million to EUR 5.0 million due to the increase in the headcount. At 10.4%, personnel expenses as a percentage of sales were slightly lower than the previous year's 11.0%. The increase in depreciation and amortisation from EUR 2.1 million to EUR 2.5 million is almost entirely attributable to the biogas segment. The plants are written off over a period of 16 years using the straight-line method. Other operating expenses amounted to EUR 18.1 million (previous year: EUR 9.6 million). The increase especially results from agricultural machinery, which we buy from the producer and resell it to leasing companies.

3.3 Earnings

We are very satisfied with the results in 2008. The partly high sales prices of food crops and the good margins of biogas production enabled us to increase the earnings disproportionately, which means that we have improved our margins significantly. Earnings before interest and taxes (EBIT) rose by 87.5% from the previous year's EUR 4.0 million to EUR 7.5 million. The EBIT margin (EBIT as a percentage of total output) improved from 12.7% to 15.6% and reflects the disproportionate increase in earnings in relation to total output. At EUR -2.2 million, the financial result was slightly lower than the previous year's EUR -1.9 million in spite of the investments in farmland and biogas plants. This was attributable to the fact that interest expenses rose from EUR 2.3 million to EUR 3.1 million, while net interest income more than doubled to EUR 0.9 million due to the proceeds from the IPO and the capital increase.

The result from ordinary activities increased from EUR 2.1 million to EUR 5.3 million in the fiscal year. Consolidated net profit for the year rose by over 150% from EUR 1.7 million to EUR 4.3 million and adjusted by the costs for the capital increase EUR 4.55 million. To facilitate a comparison, the extraordinary expenses for the 2007 IPO in an amount of EUR 3.6 million were not taken into account. The same applies to the expenses incurred in conjunction with the capital increase in the fiscal year 2008 of EURk 233.

4 Financial and asset position

4.1 Financial position

The balance sheet structure was influenced by the strong growth and the capital increase in the fiscal year. Total assets rose by EUR 23.5 million to EUR 108.0 million. Equity capital increased by EUR 10.2 million to EUR 39.2 million as a result of the capital increase and the net profit. As a result, the equity ratio rose to 36.3% and therefore exceeded the solid 34.4% of the previous year.

KTG Agrar uses the volume dependent discount prices for the extensive investments in agricultural machinery and resells them to financing companies. From these transactions the company had an inflow of EUR 6.9 million in 2008.

Liabilities totalled EUR 66.5 million (previous year: EUR 53.0 million) and primarily comprised liabilities to banks (EUR 51.3 million). The EUR 10.4 million increase in this item is primarily attributable to the expansion of the farmland and the investments in the biogas sector. Both are financed with long-term low-interest loans. Of the liabilities to banks, approx. EUR 14 million have a term of five years or more. Trade payables increased to EUR 12.0 million as at the balance sheet date (previous year: EUR 8.3 million) in line with the expansion of the business. Liabilities towards companies in which an investment is held were reduced to EUR 1.0 million.

KTG Agrar continued to invest in corporate growth as planned. A total amount of EUR 13.1 million (previous year: EUR 14.6 million) was spent on the acquisition of farms and farmland and the expansion of the biogas activities.

4.2 Asset position

While 2007 primarily saw an increase in property, plant and equipment as a result of the construction of biogas plants, the focus of the past fiscal year was on the expansion of the company's farmland. Accordingly, land and buildings increased from EUR 11.4 million to EUR 18.8 million. As of the end of 2008, KTG Agrar owned more than 4,300 hectares of land, which are recognised at acquisition costs in accordance with the German Commercial Code (HGB). At EUR 20.4 million, plant and machinery were on a par with the previous year. Fixtures, furnitures and equipment increased from EUR 0.5 million to EUR 1.2 million in the context of the company's expansion. At EUR 1.0 million, financial assets did not change materially compared to the previous year.

As a result of the company's growth – especially of its farmland – inventories increased sharply. As at the balance sheet date , they stood at EUR 23.8 million, compared to EUR 13.3 million on 31 December 2007. Raw materials and supplies rose by EUR 2.9 million to EUR 4.4 million, while work in progress and seed crops climbed by EUR 3.5 million to EUR 6.0 million. Finished goods, merchandise and feed increased by EUR 1.6 million to EUR 10.3 million and advance payments were up by EUR 2.5 million to EUR 3.1 million. Receivables rose from EUR 7.1 million to EUR 13.5 million, while other assets climbed from EUR 6.8 million to EUR 9.1 million. At year-end 2008, KTG Agrar had liquid funds in an amount of EUR 11.5 million (previous year: EUR 17.2 million).

5 Opportunities and risks

KTG is a dynamically growing company which operates in a market characterised by increasing price volatility. This results in both risks and opportunities, which are inextricably linked with our business activity. Risks can never be completely avoided, but we aim to keep these risks and the potential consequences for the company as low as possible. Moreover, we take risks only if and when they are matched by opportunities in the form of growth and profit. At this stage, we are not aware of any risks that could have a lasting adverse impact on the net worth, financial and earnings position of KTG Agrar. We see the following risks for our company and take a variety of measures to mitigate them:

- As an agricultural company, we are exposed to risks from variable weather conditions. We mitigate these risks through regional and product diversification. Wherever this makes sense, we install sprinkler systems as a protection against droughts. In addition, we have taken out insurance against storm damage on an appropriate scale.

- We are dependent on government funding for both agricultural production and the operation of biogas plants. We employ a small team of experts, who monitor the respective trends and developments very closely to ensure that we can quickly respond to changes at all times. As these changes do normally not occur suddenly, the risk is manageable. Moreover, the long-term regulations, e.g. regarding the Renewable Energy Sources Act (EEG), represent an advantage with regard to long-term corporate and investment planning.

  With regard to the potential repercussions of the new EEG, we have developed various alternatives for action, to which we can fall back in the short term to avoid potential negative financial consequences. This includes, that we already have well developed heat concepts at our locations. In the course of the advancement of these concepts it is possible to produce and distribute the electricity and heat peripheral and thus closer to the consumer. So that goals and parameters of the law would be met even better as today. Furthermore, there is to possibility to change to gas production instead of electricity. After all, a decision will not be made until the framework is absolutely definite.

- The main expense items of KTG include seeds, fuel as well as pesticides and fertilisers. A sharp increase in some or all of these items may have a strong impact on the profitability of the company. We aim to reduce this impact to a minimum by centralising our purchasing activities. The fact that we use the fermentation residues of the biogas plants as a fertiliser clearly reduces our exposure to market trends.

- Activities outside Germany expose our company to different legal and operational environments. Our presence in the full EU member state of Lithuania means that we have chosen a stable country for our expansion, which offers good opportunities for long-term profits and increases in the value of our investments.

- When acquiring agricultural businesses, it is usually not possible to perform a complex due diligence process like in other sectors. It can therefore not be ruled out that individual transactions entail risks that cannot be identified from the beginning.

- We maintain business relations with a variety of related parties. Receivables in a total amount of approx. EUR 11.5 million are due from these parties as well as from companies that are not fully consolidated and companies in which an investment is held. From our point of view, the collection of these receivables is ensured.

6 Post balance sheet events

The KTG Group continued to invest in growth between the balance sheet date and the completion of the consolidated financial statements. In February, we acquired the majority of the shares in another profitable farm operation with some 2,200 hectares of farmland in Brandenburg. No other changes beyond the usual operations occurred.

7 Forecast report

Agriculture remains an attractive market of the future. In spite of a better-than-normal harvest in 2008, global reserves remain at a low level. At the same time, demand for agricultural resources continues to rise, driven by global population growth. People in emerging countries will continue to adjust their diets in the medium term and increase their meat consumption. Due to climate change and the finiteness of fossil sources, there is no getting around energy from renewable resources. Also, an end of the organic food boom is not in sight. Organic producers are yet to penetrate all segments of the food market. These mega trends will benefit KTG Agrar in the long term.

Needless to say, the financial and economic crisis is also weighing on the agricultural sector. Commodity prices have dropped sharply in the past months. While this is true of food crops, it also applies to fertilisers, seeds and energy.

In Eastern Europe, farming has been suspended on certain low-yield fields due to the considerably restricted access to bridge financing and the lower prices of commodities. This could have material effects on the 2009 harvest volume in Europe. The commodity futures exchanges indicate stable prices.

We consider the general agricultural environment to be positive and intend to maintain our growth strategy in 2009. We expect to see stable demand for conventional and organic agricultural resources. In addition, we benefit from strong industry growth and our excellent market position in the organic farming segment. Thanks to the high quality of our products, we are able to charge a premium on general world market prices also in the conventional segment. While selling prices will be below the record level of 2008, costs will be too. We expect to see a sharp decline especially in fuel and fertiliser costs.

We will continue to expand in 2009 – both with regard to our farmland and the production of biogas. We will invest approx. EUR 25 million in new biogas sites alone. KTG Agrar has already secured a project loan for one new site. With regard to the expansion of our farmland, we will stick to our strategy of creating large units of land through purchases and leases. This is why we will focus on the existing regions. In Germany, we will continue to primarily lease land under long-term contracts, whereas additional farmland in Lithuania will mostly be purchased. The entry into a new country may be possible in the course of the year. A decision on the acquisition of farm operations and farmland is generally taken only after a detailed analysis focusing on key aspects such as geographic location, prevailing agricultural conditions and legal certainty.

The aim for fiscal 2009 is to boost total output and EBIT, with contributions expected from all business segments. Our farming segments will start the season with roughly 27,000 hectares, while the biogas segment will have twelve plants with a total rated capacity of approx. 8 MW on line. The new biogas plants that are already at the planning stage and an increase in farmland to at least 30,000 hectares will lay the basis for successful growth in 2010.

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for the fiscal year 2008

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Consolidated balance sheet

AS AT 31 DECEMBER 2008 (HGB)

ASSETS

IN EUR		31.12.2008	31.12.2007
A.	NON CURRENT ASSETS		
I.	*Intangible assets*		
	1. Concessions, industrial and similar rights and values and licences	1,351,806.51	800,716.13
	2. Goodwill	3,796,172.51	4,090,693.46
		5,147,979.02	4,891,409.59
II.	*Property, plant and equipment*		
	1. Land, freehold and leasehold and buildings including buildings on non-owned land	18,822,914.80	11,436,830.28
	2. Technical equipment and machinery	20,424,559.91	19,690,667.92
	3. Permanent crops	139,515.94	1.00
	4. Fixtures, furniture and equipment	1,211,829.56	522,308.51
	5. Payments in advance and plants under construction	2,178,074.17	2,196,486.97
		42,776,894.38	33,846,294.68
III.	*Financial assets*		
	1. Interests in affiliated companies	90,398.50	55,000.00
	2. Interests in associates companies	182,938.94	182,938.94
	3. Investments	6,502.52	6,502.52
	4. Investment securities	144,287.85	144,287.85
	5. Other loans	82,311.09	65,077.59
	6. Cooperative society shares	51,992.91	51,992.91
	7. Reinsurance claims arising from life insurance policies	444,761.97	425,485.58
		1,003,193.78	931,285.39
		48,928,067.18	39,668,989.66
B.	ANIMALS	60,283.25	74,669.38
C.	CURRENT ASSETS		
I.	*Inventories*		
	1. Raw materials, consumables and supplies	4,368,560.45	1,478,753.94
	2. Work in progress and seed crops	6,017,396.30	2,519,040.53
	3. Finished goods and merchandise, feed	10,331,757.85	8,698,238.48
	4. Advance payments	3,055,487.73	594,834.40
		23,773,202.33	13,290,867.35
II.	*Receivables and other assets*		
	1. Trade receivables	4,778,167.10	3,355,091.92
	2. Receivables from non-consolidated affiliated companies	3,722,467.12	469,675.78
	3. Receivables from associated companies	4,961,682.12	3,268,232.03
	4. Other assets	9,080,170.87	6,755,012.36
		22,542,487.21	13,848,012.09
III.	*Securities*		
	Interests in affiliated companies	55,000.00	0.00
IV.	*Cash, bank balances*	11,445,820.65	17,233,648.18
		57,816,510.19	44,372,527.62
D.	PREPAID EXPENSES	1,182,130.27	365,685.43
		107,986,990.89	**84,481,872.09**

EQUITY AND LIABILITIES

		31.12.2008	31.12.2007
A.	**SHAREHOLDERS EQUITY**		
I.	*Subscribed capital*	4,730,000.00	4,300,000.00
II.	*Capital reserves*	27,470,000.00	21,450,000.00
III.	*Revenue reserves*	5,000.19	5,000.19
IV.	*Difference arising from capital consolidation*	3,732,859.80	4,321,851.47
V.	*Balance sheet income (PY: Balance sheet loss)*	1,648,434.31	-2,291,960.63
VI.	*Balancing item for minority interest*	1,627,125.34	1,273,256.89
		39,213,419.64	29,058,147.92
B.	**SPECIAL ITEM FOR INVESTMENT GRANTS**	155,141.58	437,974.71
C.	**PROVISIONS**		
	1. Provisions for pensions and similar obligations	319,001.00	297,683.00
	2. Provisions for taxes	867,615.14	476,352.30
	3. Other provisions	820,454.73	1,102,025.57
		2,007,070.87	1,876,060.87
D.	**LIABILITIES**		
	1. Liabilities to banks	51,285,170.31	40,887,074.29
	2. Trade payables	12,004,213.88	8,314,255.98
	3. Liabilities on bills accepted, drawn and issued	791,225.71	660,736.52
	4. Liabilities to affiliated companies	0.00	309,342.60
	5. Liabilities to companies in which there is a financial investment	961,155.99	1,475,235.71
	6. Other liabilities - of which from taxes EUR 15,371.72 (PY: EUR 120,227.38) - of which in the context of social security EUR 0.00 (PY: EUR 4,378.44)	1,503,815.31	1,352,298.09
		66,545,581.20	52,998,943.19
E.	**PREPAID EXPENSES**	65,777.60	110,745.40
		107,986,990.89	**84,481,872.09**

Consolidated income statement

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008 (HGB)

IN EUR	**2008**	2007
1. Sales	26,417,647.78	15,309,044.15
2 Increase in finished goods, inventories and work in progress and animals	5,711,197.06	5,908,715.64
3. Other own work capitalised	474,388.10	747,418.57
4. Other operating income	15,620,780.16	9,652,231.67
5. Cost of materials		
a) Cost of raw materials, consumables and supplies and for purchased merchandise	-12,780,577.02	-11,823,396.93
b) Cost of purchased services	-2,287,326.82	-641,106.15
	-15,067,903.84	**-12,464,503.08**
6. Staff cost		
a) Wages and salaries	-4,121,689.38	-2,861,835.05
b) Social security and expenses für pensions and benefits - of which for pensions EUR 34,692.96 (PY: EUR 39,306.25)	-879,868.39	-618,053.32
	-5,001,557.77	**-3,479,888.37**
7. Amortisation and depreciation	-2,506,483.19	-2,083,210.10
8. Other operating costs	-18,120,770.10	-9,580,550.02
9. Income from long-term equity investments	413.76	4.00
10. Income from other securities and long-term loans	0	6,617.67
11. Other interest and similar income - of which from affiliated companies EUR 50,085.44 (PY: EUR 10,909.60)	873,553.59	422,185.15
12. Interest and similar expenses	-3,088,966.73	-2,316,170.23
13. RESULT FROM ORDINARY ACTIVITIES	**5,312,298.82**	**2,121,895.05**
14. Extraordinary expenses	-232,566.35	-3,633,567.17
15. Extraordinary result	-232,566.35	-3,633,567.17
16. Income taxes	-590,076.08	-320,703.10
17. Other taxes	-167,835.66	-136,924.34
18. NET CONSOLIDATED INCOME FOR THE YEAR (PY: Net consolidated loss for the year)	**4,321,820.73**	**-1,969,299.56**
19. Retained loss carried forward (PY: Retained profit)	-2,291,960.63	1,870,576.14
20. Appropriation to other revenue reserves	0.00	-1,798,083.19
21. Result attributable to minority interests	-381,425.79	-395,154.02
22. BALANCE SHEET INCOME (PY: BALANCE SHEET LOSS)	**1,648,434.31**	**-2,291,960.63**

Consolidated cash flow statement

FOR THE 2008 FINANCIAL YEAR (HGB)

IN EURK	**2008**	2007
Net consolidated income for the year before extraordinary items	4,554	1,665
Amortisations on tangible fixed assets	2,506	2,083
Increase in provisions	130	803
Non-cash income and expenses	-283	-882
Loss/profit from disposal of fixed and financial assets	335	-259
Increase in other assets not attributable to investing or financing activities	-19,980	-15,201
Increase/decrease in other equity and liabilities not attributable to investing or financing activities	3,039	3,900
Cash flow from operating activities	-9,699	-7,891
Proceeds from disposal of tangible fixed assets	1,566	4,424
Payments for investments in fixed assets	-13,695	-13,402
Payments for investments in intangible fixed assets	-515	-48
Proceeds from disposal of consolidated companies	0	750
Payments for acquisition of consolidated companies	-361	-3,334
Proceeds from disposal of long-term financial assets	99	0
Payments for investments in long-term financial assets	0	-89
Cash flow from investing activities	-12,906	-11,699
Proceeds from issue of capital	6,450	23,902
Payments for extraordinary items	-232	-3,634
Proceeds from liabilities	13,022	17,147
Payments for scheduled repayment of bank liabilities	-2,624	-4,157
Payments for longstanding debt	0	-312
Cash flow from financing activities	16,616	32,946
Net change in cash funds	-5,989	13,356
Change in cash funds due to consolidation structure	201	109
Cash funds at beginning of period	17,234	3,769
Cash funds at end of period	11,446	17,234

Consolidated statement of changes in equity

FOR THE 2008 FINANCIAL YEAR

	PARENT COMPANY		
IN EUR	SUBSCRIBED CAPITAL ORDINARY SHARES	CAPITAL RESERVE	LEGAL RESERVE
1 January 2007	50,000.00	–	5,000.00
Transfer to legal reserve			
Transfer to revenue reserve		21,450,000.00	
Transfer to capital reserve			
Capital increase from own resources	1,798,083.00		
Issue of shares	2,451,917.00		
Other changes			
Changes in basis consolidation			
Consolidated net loss			
31 December 2007	**4,300,000.00**	**21,450,000.00**	**5,000.00**
1 January 2008	4,300,000.00	21,450,000.00	5,000.00
Transfer to legal reserve			
Transfer to revenue reserve			
Capital increase from issue of shares	430,000.00	6,020,000.00	
Other changes			
Changes in basis consolidation			
Consolidated net profit			
31 December 2008	**4,730,000.00**	**27,470,000.00**	**5,000.00**

			MINORITY INTERESTS	
DIFFERENCES FROM CAPITAL CONSOLIDATION	GENERATED CONSOLIDATED EQUITY	SHAREHOLDERS EQUITY	MINORITY INTEREST IN EQUITY	SHAREHOLDERS CONSOLIDATED EQUITY
7,685,456.25	1,870,576.14	9,611,032.39	989,943.02	10,600,975.41
		–		–
		21,450,000.00		21,450,000.00
	-1,798,083.00	-1,798,083.00		-1,798,083.00
		1,798,083.00		1,798,083.00
		2,451,917.00		2,451,917.00
-216,746.43		-216,746.43	-94,772.50	-311,518.93
-3,146,858.35		-3,146,858.35	-17,067.65	-3,163,926.00
	-2,364,453.58	-2,364,453.58	395,154.02	-1,969,299.56
4,321,851.47	**-2,291,960.44**	**27,784,891.03**	**1,273,256.89**	**29,058,147.92**
4,321,851.47	-2,291,960.44	27,784,891.03	1,273,256.89	29,058,147.92
		–		–
		–		–
		6,450,000.00		6,450,000.00
-588,991.67		-588,991.67	-28,011.97	-617,003.64
		–	454.63	454.63
	3,940,394.94	3,940,394.94	381,425.79	4,321,820.73
3,732,859.80	**1,648,434.50**	**37,586,294.30**	**1,627,125.34**	**39,213,419.64**

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for the financial year 2008

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1 General disclosures

The consolidated financial statements for the 2008 financial year are prepared in accordance with the German Commercial Code (HGB).

The total cost format in line with Section 275 (2) HGB was applied to the income statement.

The consolidated financial statements are prepared in euros.

The financial year for the Group and the consolidated companies is based on the calendar year.

2 Consolidation methods and explanatory notes

Consolidation is carried out according to the book value method set out in Section 301 (1) HGB. The date of initial consolidation for the companies included is – in derogation of German Accounting Standards (GAS) 4.9 and 4.10 – generally the first of the year in which the consolidated financial statements were prepared, 1 January 2005.

If shares were acquired after 1 January 2005, initial consolidation occurred at the respective actual date of acquisition.

The subsidiary not included in the consolidated financial statements during the previous year because of its immateriality, PAE norus Agrar AG, Podelzig, was included for the first time in the consolidated financial statements on 1 January 2008 to improve its informational value.

As part of the consolidation, the carrying amounts of the investments have been offset against the equity subject to consolidation. Any remainder from this is recognised as positive goodwill or, if occurring as a liability, as negative goodwill.

The **negative goodwill** results in particular from existing separate reserves as set out in Section 16 (3) of the DM Balance Sheet Act (DMBilG) and from separate reserves as set out in Sections 17 (4) and 27 of the DMBilG. The last pending old debt proceedings were settled in 2008; the last redemption sum was paid at the beginning of 2009. As a result of the redemption sum of EUR 588,991.67 (excl. minority interests), the negative goodwill declined accordingly. Overall the purchase prices of the shares of various companies were below the pro-rata share capital on the balance sheet, resulting in negative goodwill, which is recognised under equity.

Goodwill is amortised – accounting for a useful life of 13 1/3 years – on a straight-line basis at a rate of 7.5 % p.a.

The consolidated financial statements include the following companies pursuant to Section 290 (2) HGB:

	AMOUNT OF HOLDING BY COMPANY %	EQUITY AS AT 31 DEC. 2008 EURK	2008 RESULT EURK
Group parent			
KTG Agrar AG, Hamburg	-/-	30,896	2,352
Subsidiaries (100% consolidated)			
KTG Getreidelager und Handels AG KTG Elevator and Trading, Hamburg	100.00	330	190
“Zur Spetze” Agrarproduktions GmbH, Wegenstedt	100.00	135	32
Roloff Agrar GmbH, Brenkenhof	100.00	58	26
Delta Agrar und Handels GmbH, Oranienburg	100.00	220	89
Landwirtschaftliche Produktionsgesellschaft mbH Frehne Zwei, Putlitz	100.00	95	14
“KTG Agrar” UAB, Vilnius, Lithuania (sub-holding)	100.00	456	380
UAB “KTG EKO Agrar”, Raseiniai, Lithuania *	(100.00)	223	196
UAB “Agronita”, Vilnius, Lithuania *	(100.00)	7	30
UAB “Agrar Raseiniai”, Raseiniai, Lithuania	100.00	107	11
UAB “Agrar Mazeikiai”, Mazeikiai, Lithuania	100.00	69	10
UAB “PAE Agrar”, Raseiniai, Lithuania	100.00	30	27
UAB “Delta Agrar”, Kelmes, Lithuania	100.00	20	17
norus 26. AG, Berlin (sub-holding)	100.00	54	4
UAB Agrar Vidauja, Seda, Lithuania*	(100.00)	12	9
UAB Agrar Ariogala, Ariogala, Lithuania*	(100.00)	31	28
UAB Agrar Girdziai, Lithuania*	(100.00)	19	16
LT Holding AG, Berlin (sub-holding)	100.00	51	1
UAB Agrar Seda, Seda, Lithuania*	(100.00)	4	1
UAB Agrar Varduva, Mazeikiai, Lithuania*	(100.00)	7	4
UAB Agrar Asya, Mazeikiai, Lithuania*	(100.00)	23	20
PAE/AVN Agrar GmbH, Putlitz	100.00	15	22
Landwirtschaftsbetrieb Ahrendt GmbH, Karft	100.00	14	-18
Schmilauer Landwirtschafts AG, Schmilau	100.00	37	0

	AMOUNT OF HOLDING BY COMPANY %	EQUITY AS AT 31 DEC. 2008 EURK	2008 RESULT EURK
AK Feldfrucht AG, Görke	100.00	74	23
GEO Agrar AG, Schwedt/Oder (sub-holding)	51.00	58	1
Agrargesellschaft Quesitz mbH, Quesitz *	(75.00)	1,249	200
Agrargesellschaft Altjeßnitz mbH, Raguhn *	(76.47)	1,442	323
KTG Biogas AG, Hamburg (sub-holding)	100.00	105	62
Biogas-Produktion Putlitz GmbH, Putlitz *	(100.00)	154	-55
Biogas-Produktion Dersewitz GmbH, Dersewitz *	(100.00)	183	88
PAE Marktfrucht GmbH Putlitz, Putlitz (amount of holdings, direct and indirect)	96.53	758	77
PAE Agrarproduktions- und Verwaltungs-AG Putlitz, Putlitz (sub-holding) (amount of holdings, direct and indirect)	95.46	3,442	111
PAE Sonderkulturen GmbH, Putlitz *	(100.00)	19	10
PAE Weiderind GmbH Putlitz, Putlitz *	(100.00)	94	8
PAE-Öko-Landbau GmbH, Putlitz *	(100.00)	440	207
Agrar und Handels GmbH Mühlenbeck, Schönfließ *	(80.00)	77	135
PAE norus Marktfrucht AG, Putlitz (sub-holding)	100.00	83	31
Gut Marxdorf GmbH, Vierlinden *	(100.00)	259	85
Klages + Volmer Gesellschaft für landwirtschaftliche Dienstleistungen mbH, Vierlinden *	(100.00)	169	82
Friesenhof Bahnsen GmbH, Breydin *	(100.00)	32	13
SIWUK-Agrargesellschaft mbH Sietzing, Letschin *	(100.00)	730	-32
WI norus Agrar AG, Lübs*	(100.00)	79	29
WI Agrar GmbH, Müden/Aller OT Ettenbüttel*	(100.00)	34	9
SI norus Agrar AG, Waldsieversdorf*	(100.00)	52	2
SI Agrar GmbH, Waldsieversdorf*	(100.00)	38	13
PAE norus Agrar AG, Podelzig	100.00	806	760
PAE Putlitz-Marienfließ Agrar GmbH*	(100.00)	13	-12
Subsidiaries (non-consolidated)			
Milchproduktion Papenbruch GmbH, Papenbruch* (30.06.2008)	(100.00)	-201	85
NGH Agrar AG	100.00	48	-2
AGN Agrargesellschaft Nonnendorf GmbH, Niederer Fläming OT Nonnendorf* (31.12.2007)	(100.00)	110	11
AGH Agrargesellschaft Hohenseefeld GmbH, Niederer Fläming OT Nonnendorf* (31.12.2007)	(100.00)	30	22
Associated companies			
ADG Verwaltungs AG, Starsiedel (sub-holding)	50.00	53	1
adg Agrar GmbH, Starsiedel* (31.12.2007)	(100.00)	28	2
Podelziger Landwirtschafts GmbH, Podelzig* (31.12.2007)	(50.00)	163	329
RST-Agrar AG, Neubrandenburg (sub-holding)	50.00	217	-5
"wadü" Kemnitzer Vermögensverwaltungsgesellschaft mbH* (31.12.2007)	(75.00)	2,759	162
AVK Agrar AG, Neubrandenburg*	(100.00)	47	-2
Körbelitzer Agro GbR, Körbelitz*	(86.00)	-811	56
"Zur Spetze" Agrar-Handels GmbH, Wegenstedt * (Annual financial statements as at 30 June 2007)	(100.00)	25	22

* Second-tier subsidiary of KTG Agrar AG; the percent share in equity indicated in parentheses refers to the interest of the aforementioned sub-holding in this company

Shares in associated companies were recognised at cost for reasons of simplification. Measurement pursuant to Section 312 of the German Commercial Code would be of minor importance for the presentation of a true and fair view of the assets, liabilities and financial position of the Group.

Due to its minor share of sales and therefore minor relevance to a true and fair view of the assets, liabilities and financial position of the group the subsidiary Milchproduktion Papenbruch GmbH, Papenbruch, has not been included in the consolidated financial statements in accordance with Section 296 (2) HGB.

NGH Agrar AG, Berlin (formerly norus 35. AG) was acquired as a corporate shell at the end of 2008 with a view to acquiring the shares in AGN Agrargesellschaft Nonnendorf GmbH, Nonnendorf, and AGH Agrargesellschaft Hohenseefeld GmbH, Nonnendorf. Due to the planned sale of the shares, this company is not included in the consolidated financial statements for the year ended 31 December 2008 in accordance with Section 296 (3) Nr. 3 HGB.

After the following subsidiary was not consolidated in the last year, it was included in the consolidated financial statements 2008 for the first time:

EURK	ACQUISITION COST	ARISING GOODWILL
PAE norus Agrar AG, Podelzig	55	5

Moreover, the following subsidiaries were established, or non-operating companies were acquired, during the 2008 financial year and are now being included in the consolidated financial statements for the first time:

EURK	ACQUISITION COST	ARISING GOODWILL
WI norus Agrar AG, Lübs	55	5
WI Agrar GmbH, Müden/Aller	28	3
SI norus Agrar AG, Waldsieversdorf	5	5
SI Agrar GmbH, Waldsieversdorf	28	3
PAE Putlitz Marienfließ GmbH,	28	3
norus 26. AG, Berlin	55	5
UAB Agrar Vidauja, Seda, Lithuania	5	2
UAB Agrar Ariogala, Ariogala, Lithuania	5	2
UAB Agrar Girdziai, Girdziai, Lithuania	5	2
LT Holding AG, Berlin	55	5
UAB Agrar Seda, Seda, Lithuania	4	1
UAB Agrar Varduva, Mazeikiai, Lithuania	4	1
UAB Agrar Aswa, Mazeikiai, Lithuania	4	1

PAE norus Agrar AG, which was consolidated for the first time, and the consolidated newly acquired companies listed above had the following combined effect on key balance sheet and P&L items as at 31 December 2008:

EUR	
Property, plant and equipment	1,520,874.13
Inventories	558,096.75
Profit for the year	800,723.75
Liabilities	2,156,280.70
Sales revenues	377,751.22
Other operating income	783,899.51
Cost of materials	166,559.58

As part of **debt consolidation**, loans, receivables, liabilities and prepaid expenses were offset among consolidated companies.

Deliveries and services between the companies included were eliminated by **profits and expenses consolidation**.

Interim results are eliminated as a matter of principle as long as they are not of minor relevance to a true and fair view of the assets, liabilities and financial position of the Group.

Deferred tax assets were not recognised in accordance with the option specified in Section 274 (2) HGB; no deferred tax assets as defined in Section 306 HGB resulted.

Because the total consolidated income differs from the total income of individual companies, taxes have been deferred by the formation of provisions for **deferred tax liabilities**.

3 Classifications, content and accounting policies

Intangible fixed assets are capitalised at cost and, if subject to depreciation due to wear and tear, are reduced by amortisations according to their useful life. Items recognised are primarily agricultural claims and software for operations, management and accounting acquired for consideration. Until 2007, claims to premiums acquired for consideration were written down to their expected useful lives; scheduled depreciation was given up in 2008 due to the amended tax assessment.

Tangible fixed assets are recognised at acquisition or production costs and, if subject to depreciation, are reduced by amortisation.

The direct costs and overheads recognised for tax purposes are included in production costs, to the inclusion of wear and tear of the fixed assets.

The value of tangible fixed assets is reduced by amortisation according to the likely useful life on the basis of maximum rates valid under tax law. Capital assets are depreciated on a straight-line basis. Minor capital assets up to a value of EUR 150.00 are fully amortised in the year they were acquired. Minor capital assets with a value between EUR 150.00 and EUR 1,000.00 are captured in a collective item and are amortised over five years. Acquisitions of tangible fixed assets are generally amortised on a pro-rata-temporis basis.

In accordance with legal provisions, long-term **financial assets** are capitalised at cost or at the lower of cost or fair value.

Animals are recognised in a separate item between fixed and current assets. They are measured at acquisition or production cost or at the lower of cost or fair value. Production costs include individual costs and those components of overhead recognised for tax purposes.

Inventories are measured at acquisition or production costs or at the lower market value or the lower of cost or fair value which results from existing contracts. Production costs include individual costs and overhead recognised for tax purposes. Crop inventory forming part of inventories was recognised at production cost.

Receivables and other assets are recognised at their nominal value. No itemised allowances were necessary. From 2008, non-interest-bearing receivables are discounted at the market interest rate of 3.3% on the present value.

Receivables due from affiliated companies that have not been included in the consolidation structure are recognised under the separate item Receivables from non-consolidated affiliated companies.

Cash and cash equivalents are recognised at their nominal value.

Lease prepayments are the main item recognised under **Prepaid expenses**.

Subscribed capital is recognised at its nominal value.

Negative goodwill on consolidation is shown under equity capital in the consolidated balance sheet. It is the result of investments whose cost was lower than the pro-rated equity capital.

Minority interests were formed and recognised in the consolidated balance sheet in the amount of the pro-rata equity held by shareholders outside the Group.

The **Separate item for investment grants** was created for investment grants provided for purchases of tangible fixed assets. It is reversed over the likely useful life of the tangible fixed assets provided.

Provisions for pensions and similar obligations were measured at 31 December 2008 on the basis of the entry age normal method as defined in Section 6a of the German Income Tax Act (EStG) with an interest rate of 6.0% based on the 2005 G actuarial tables of Klaus Heubeck. Provisions were recognised on the basis of the amount allowable under tax law, i.e. when the maximum was increased in 2005 on the basis of altered biometric information, it adhered to the ceiling for the tax increase, amounting to one-third per year.

Other provisions primarily take into account the costs of the annual financial statements, salary bonuses, outstanding payables and fees for employers' mutual insurance associations. They are formed in the amount deemed necessary to cover all identifiable risks and uncertain liabilities according to a reasonable commercial assessment.

Liabilities are recognised at their repayment amounts.

The separate item of **Liabilities to non-consolidated affiliated companies** lists liabilities to subsidiaries that have not been included in the consolidation structure.

Income received prior to the reporting date of the financial statements is included under **Deferred income** if they represent income for a specific period after this date.

Foreign currencies were translated at the rate of the reporting date of 31 December 2008; the fixed translation rate for Litas (LTL) is LTL 1 = EUR 0.28962.

4 Explanatory notes to the balance sheet

Assets

Changes in individual asset items are presented in the consolidated statement of changes in fixed assets (appendix to the Notes).

The statement of changes in fixed assets recognises the original acquisition or production costs and the depreciation, amortisation and write-downs on tangible fixed assets of the parent company and the subsidiaries in the “Acquisition and production costs” column or in the “Amortisation and depreciation” column.

Receivables and other assets

Receivables comprise the following according to their maturity; the amounts of the previous year are given in parentheses:

EUR	TOTAL	UP TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS
Trade receivables	4,778,167.10	4,778,167.10	0.00	0.00
	(3,355,091.92)	(3,355,091.92)	(0.00)	(0.00)
Receivables from non-consolidated affiliated companies	3,722,467.12	2,620,554.62	1,101,912.50	0.00
	(469,675.78)	(468,475.78)	(1,200.00)	(0.00)
Receivables from associated companies	4,961,682.12	4,269,809.31	691,872.81	0.00
	(3,268,232.03)	(2,860,657.98)	(407,574.05)	(0.00)
Other assets	9,080,170.87	7,763,864.70	1,316,306.17	0.00
	(6,755,012.36)	(6,445,237.89)	(309,774.47)	(0.00)
	22,542,487.21	**19,432,395.73**	**3,110,091.48**	**0.00**
	(13,848,012.09)	**(13,129,463.57)**	**(718,548.52)**	**(0.00)**

Receivables from non-consolidated affiliated companies result from intercompany goods and services in the amount of EUR 1,354k (previous year: EUR 44k) and from other tangible fixed assets in the amount of EUR 2,368k (previous year: EUR 426k).

Receivables from associated companies include intercompany goods and services in the amount of EUR 2,269k (previous year: EUR 2,135k) and other tangible fixed assets amounting to EUR 2,693k (previous year: EUR 1,133k).

Other tangible fixed assets comprise the following:

EURK	31 DEC. 2008	31 DEC. 2007
Loans including interest with maturities of up to 1 year	3,609	2,863
Recoverable taxes	1,094	1,534
Investment grants and subsidies	1,173	1,195
Loans, including interest with maturities, of more than 1 year	634	0
Compensation	1,789	0
Miscellaneous	781	1,163
	9,080	6,755

Equity

The subscribed capital of KTG Agrar AG was increased in 2008 from EUR 4,300,000.00 by EUR 430,000.00 and was at EUR 4,730,000.00 at the accounting date. It is divided into 4,730,000 no-par-value bearer shares.

Additional proceeds from the IPO in 2007 in the amount of EUR 21,450,000.00 as well as the additional proceeds of the 2008 capital increase of EUR 6,020,000 are recognised under capital reserves.

The notarised change to the articles of association 4 October 2007 authorises a conditional increase in the share capital of the company by EUR 924k through the issue of up to 924,041 no-par-value bearer shares (Conditional Capital I/2007). The conditional capital increase serves the exclusive purpose of granting shares to the bearers of options or convertible bonds issued by the company in accordance with the authorisation by the Annual General Meeting on 4 October 2007 until 3 October 2012.

The Annual General Meeting on 25 July 2008 resolved to authorise a conditional increase in the share capital of the company by EUR 1,225,959 through the issue of up to 1,225,959 no-par-value bearer shares (Conditional Capital I/2008). The conditional capital increase serves the purpose of granting shares to the bearers of options or convertible bonds issued by the company in accordance with the authorisation by the Annual General Meeting on 25 July 2008 until 24 July 2013.

The notarised change to the articles of association on 4 October 2007 authorised the Management Board, with the consent of the Supervisory Board, to increase the equity capital of the company over a period of five years starting from the date of registration of this authorised capital by up to EUR 1,500k by issuing 1,500,000 new no-par-value shares against cash contributions or contributions in kind (Authorised Capital I/2007). The authorisation may be exercised once or multiple times in full or partial amounts. It was partly exercised for the capital increase of 29 August 2008 (EUR 300k), which means that the remaining Authorised Capital I/2007 amounts to EUR 1,200k.

The Annual General Meeting of 26 October 2007 resolved to amend the articles of association with regard to the authorised capital (Authorised Capital II/2007). It authorises the Management Board, with the consent of the Supervisory Board, to increase the share capital of the company over a period of five years starting from the date of registration of this authorised capital by up to EUR 650k by issuing 650,000 new no-par-value shares against cash contributions or contributions in kind (Authorised Capital II/2007). The authorisation may be exercised in partial amounts. It was partly exercised for the capital increase of 29 August 2008 (EUR 130k), which means that the remaining Authorised Capital I/2007 amounts to EUR 520k.

The articles of association were amended and authenticated by a notary based on the resolution passed by the Supervisory Board on 29 August 2008.

The legal reserves, the amount of which remains at EUR 5,000.00, are recognised in revenue reserves.

Balance sheet income developed as follows:

EUR	2008	2007
Retained loss carried forward 1 January (previous year: profit carried forward)	-2,291,960.63	1,870,576.14
Net consolidated income (previous year: Net loss) for the financial year	4,321,820.73	-1,969,299.56
Appropriation to other revenue reserves	0	-1,798,083.19
Attributable to minority interests	-381,425.79	-395,154.02
Balance sheet income (previous year: Net loss) as at 31 December	**1,648,434.31**	**-2,291,960.63**

The "Other changes" line in the statement of changes in equity includes adjustments in accordance with Section 36 DMBilG in the amount of EUR 617k relating to payments on existing loans originating with the DEM opening balance sheet which were not recognised in the balance sheet due to existing subordination agreements.

The **Separate item for investment grants** refers to investment grants received which are reversed in accordance with the amortisation procedure of the subsidised capital assets.

Provisions

Provisions for taxes include provisions for deferred tax liabilities in the amount of EUR 304k.

Other reserves comprise:

EURK	31.12.2008	31.12.2007
Costs of the annual financial statements	175	361
Imminent loss from pending operations	169	0
Fees for employers mutual insurance associations	146	126
Outstanding invoices	105	170
Lease payments	79	60
Salary bonuses	25	205
Miscellaneous	121	180
	820	1,102

Interest rate swap

At the beginning of 2008, KTG Agrar AG signed a structured 3-year EUR interest rate swap contract with a notional amount of EUR 2.5 million. Under the swap contract, KTG Agrar AG will receive fixed payments of 1% of the notional amount in March 2009, March 2010 and March 2011. The variable payment is also due in March 2011, either from the bank or from KTG Agrar AG, depending on the performance of the index. The potential payment by KTG Agrar AG is fixed at 8% of the notional amount, towards which the fixed payments will be counted. As of 31 December 2008, the swap had a present value of EUR -169k, which was recognised as a provision for contingent losses.

Liabilities

Liabilities comprise the following according to their maturity; the amounts of the previous year are given in parentheses:

EUR	TOTAL	UP TO 1 YEAR	1 – 5 YEARS	OVER 5 YEARS
Liabilities to banks	51,285,170.31	27,840,651.41	9,508,243.89	13,936,275.01
	(40,887,074.29)	(20,592,782.63)	(6,949,047.98)	(13,345,243.68)
Trade payables	12,004,213.88	12,004,213.88	0.00	0.00
	(8,314,255.98)	(8,189,137.84)	(125,118.14)	(0.00)
Liabilities on bills accepted	791,225.71	791,225.71	0.00	0.00
and drawn and issued bills	(660,736.52)	(660,736.52)	(0.00)	(0.00)
Liabilities to non-consolidated	0.00	0.00	0.00	0.00
affiliated companies	(309,342.60)	(309,342.60)	(0.00)	(0.00)
Liabilities to associated	961,155.99	961,155.99	0.00	0.00
companies	(1,475,235.71)	(1,475,235.71)	(0.00)	(0.00)
Other liabilities	1,503,815.31	1,503,815.31	0.00	0.00
	(1,352,298.09)	(1,352,298.09)	(0)	(0)
	66,545,581.20	43,101,062.30	9,508,243.89	13,936,275.01
	(52,998,943.19)	(32,579,533.39)	(7,074,166.12)	(13,345,243.68)

Liabilities to associated companies pertain to loans granted in the amount of EUR 47k (previous year: EUR 580k) and to intercompany deliveries and services amounting to EUR 914k (previous year: EUR 895k).

Liabilities to banks are collateralised as follows:

- Mortgage loans on farmland and factory premises totalling EUR 6,889k
- Mortgage loans on the Putlitz and Dersewitz biogas and silo sites totalling EUR 14,140k
- Assignment of rights and claims arising from a term life insurance policy

Assignment (cession) of EU acreage premiums under EC Regulations 1251/1999, 1257/1999 and 1782/2003 to the following affiliated companies:

- Friesenhof Bahnsen GmbH
- Podelziger Landwirtschafts GmbH
- AK Feldfrucht AG, Görke
- KTG Biogas AG
- Milchproduktion Papenbruch GmbH
- PAE norus Marktfrucht AG
- PAE-Öko Landbau GmbH, Putzlitz
- PAE Agrar GmbH, Oranienburg
- Agrargesellschaft Quesitz mbH, Marktranstädt
- Agrargesellschaft Altjeßnitz mbH, Raguhn
- BAH Agrargenossenschaft e.G., Grabowhöfe
- “Zur Spetze” Agrarproduktionsgesellschaft mbH, Wegenstedt
- Agrar- und Handels GmbH Mühlenbeck, Schönfließ (no bonus for organic farming)
- “Zur Spetze” Agrarproduktionsgesellschaft mbH, Wegenstedt (only bonus for organic farming)
- Landwirtschaftsbetrieb Ahrendt GmbH
- Landwirtschaftliche Produktionsgesellschaft mbH Frehne Zwei, Putlitz
- TAN Tiedemann´sche Agrarproduktion Nord GmbH, Kemnitz
- Roloff Agrar GmbH, Brenkenhof
- PAE Agrarproduktions- und Verwaltungs AG Putlitz, Putlitz
- PAE Sonderkulturen GmbH, Putlitz
- PAE Marktfrucht GmbH Putlitz, Putlitz
- PAE norus Marktfrucht AG
- PAE Weiderind GmbH Putlitz, Putlitz

Assignment of financed grain inventories stored in specific places, including assignment of liabilities arising from their sale

Pledge of credit balances in an amount of EUR 660k

Moreover, various technical equipment and machinery have been assigned by way of collateral.

Other liabilities comprise the following:

EURK	31 DEC. 2008	31 DEC. 2007
Replacement of agricultural past debt	635	0
Share purchase	274	0
Wages, salaries and social security	259	172
Taxes	20	120
Loans, including interest	0	280
Miscellaneous	316	780
	1,504	1,352

5 Explanatory notes to the income statement

Sales

Sales revenue is realised within the EU and comprises the following major areas:

EURK	2008	2007
Organic farming	3,302	1,198
Conventional farming	7,596	4,748
Biogas	9,136	3,318
Complementary agricultural activities	6,384	6,045
	26,418	15,309

Other operating income

Other operating income comprises the following:

EURK	2008	2007
Sales of machinery and tools	6,965	1,953
Investment grants and subsidies	5,594	4,733
Trading in investments	1,248	1,574
Income from disposal of assets (from prior periods)	176	331
Lease and rental income	359	332
Income from the reversal of special items	283	32
Compensation	231	243
Income from costs passed on	171	92
Income from the reversal of provisions (from prior periods)	82	17
Other income	512	345
	15,621	**9,652**

Sonstige betriebliche Aufwendungen

EURK	2008	2007
Cost of sales of machinery and tools, repairs, maintenance	6,885	2,130
Rent, leases and occupancy costs	2,828	2,078
Management, legal and consulting costs	2,020	1,495
Lease and auto costs	2,449	1,043
Other selling expenses	1,104	688
Insurance, duties and financing	836	695
Other prior-period expenses	96	348
Disposal of assets	288	72
Sale of investments	50	0
Losses on bad debts and adjustments on receivables	0	11
Other expenses	1,565	1,021
	18,121	**9,581**

Income tax

The result from ordinary activities is encumbered with income taxes for the 2008 financial year in the amount of EUR 590k (2007: EUR 321k).

6 Other disclosures

Executive bodies

The **Supervisory Board** consists of three members.

In fiscal 2008, the members of the Supervisory Board were:

Siegfried Koch banker, managing director of financial services at Kaiserdom GmbH, Königslutter	Chairman
Bert Wigger managing director of Wigger Immobilien GmbH and Wigger Auktionen GmbH, Brüsewitz, Lützow	Deputy Chairman since 25 July 2008
Barbara Podas managing director of Heuma Agrarberatung GmbH, Osterburg	Deputy Chairman resigned with effect from the end of the Annual General Meeting on 25 July 2008.
Beatrice Ams businesswoman, gardener	since 25 July 2008

In 2008, the members of the Supervisory Board received compensation in an amount of EUR 17,500 for the performance of their tasks.

Finanzdienste am Kaiserdom GmbH, which is wholly owned by Mr Koch, received compensation in the amount of EUR 247k for rendering consulting and other services to companies of the Group.

PAE Agrar GmbH, Oranienburg, which is wholly owned by Mrs. Ams, generated rental income in an amount of EUR 184k (previous year: EUR 119k) from various Group companies for the Oranienburg property.

PAE Agrar GmbH, Oranienburg, which is wholly owned by Beatrice Ams, has received loans from companies of the KTG Group. As of 31 December 2008, these loan receivables totalled EUR 729k (31 December 2007: EUR 450k). New loans in an amount of EUR 235k were extended and interest in an amount of EUR 44k was charged. The interest rates range from 7% to 9% p.a.; no special collateral was furnished. The final maturity date of the receivables is 31 December 2009 and 31 December 2010, respectively.

The members of the Supervisory Board hold no other supervisory board mandates or similar mandates.

In 2008, the **Management Board** consisted of:

Siegfried Hofreiter	Chairman, CEO
Oranienburg	
Beatrice Ams	
Oranienburg	until 30 June 2008
Werner Hofreiter	
Elstal	until 30 September 2008
Wolfgang Bläsi	CFO
Heidelberg	since 3 April 2008
Dr. Thomas R.G. Berger	CAO, CKO
Munich	since 1 October 2008
Ulf Hammerich	COO
Honigsee	since 1 October 2008
Christoph Foth	vice member, CPO
Heinrichswalde	since 1 November 2008

Total compensation of the Management Board of the parent company

The compensation of the Management Board for 2008 amounted to EUR 393k (2007: EUR 192k).

Advances and loans granted to members of the Management Board and the Supervisory Board of the parent company

No advances or loans were granted to the members of the Management Board and the Supervisory Board.

Employees

Average number of employees on staff during the financial year:

	NUMBER 2008	NUMBER 2007
Industrial workers	69	51
White-collar employees	88	44
	157	**95**

Contingent liabilities

KTG Agrar AG is liable for a guaranty dated 14 July 2007 in an amount of EUR 1,435k arising from a long-term real estate loan granted to PAE Agrar GmbH, Oranienburg, which is wholly owned by Beatrice Ams, by HSH Nordbank AG, Hamburg, to finance the construction of a new farm with a multi-purpose hall, office buildings and a residential building. As of 31 December 2008, the real loan had a residual value of EUR 1,235k.

Other financial liabilities

Leasing agreements existing as at 31 December 2008 give rise to the following financial liabilities:

EURK	
Liabilities due in 2009	1,977
Liabilities due from 20010 to 2013	5,517
Liabilities due in 2014 and thereafter	1,209

Leases existing as at 31 December 2008 give rise to the following financial liabilities:

EURK	
Liabilities due in 2009	198
Liabilities due from 20010 to 2013	753
Liabilities due in 2014 and thereafter	3,318

Leaseholds for utilised agricultural area existing as at 31 December 2008 give rise to the following financial liabilities:

EURK	
Liabilities due in 2009	2,344
Liabilities due from 2010 to 2013	7,626
Liabilities due as from 2014	5,775

The leaseholds have maturities of 2 to 20 years and partly grant KTG renewal options.

Commitments from orders total EUR 2,585k.

Existing loans originating from the 1990 DM opening balance

The Group liabilities originating from existing loans recognised in the previous years were settled in full in 2008 for all individual companies concerned; a final redemption sum, for which a liability of EUR 635k was recognised in the balance sheet as at 31 December 2008, was paid in 2009.

HAMBURG, 4 MAY 2009

KTG Agrar AG

SIEGFRIED HOFREITER
MEMBER OF THE
MANAGEMENT BOARD

DR. THOMAS R.G. BERGER
MEMBER OF THE
MANAGEMENT BOARD

WOLFGANG BLÄSI
MEMBER OF THE
MANAGEMENT BOARD

CHRISTOPH FOTH
VICE MEMBER OF THE
MANAGEMENT BOARD

ULF HAMMERICH
MEMBER OF THE
MANAGEMENT BOARD

Changes in consolidated non current assets

IN FINANCIAL YEAR 2008 (HGB)

			PURCHASE AND PRODUCTION COSTS		
IN EUR	01.01.08	CHANGES IN BASIS CONSOLIDATION	ADDITIONS	RECLASSI-FICATIONS/ TRANSFERS	DISPOSALS
NON CURENT ASSETS					
I. Intangible assets					
1. Concessions, industrial and similar rights and values and licences thereto	907,642.13	0.00	570,583.18	0.00	0.00
2. Goodwill	4,704,047.16	47,404.96	13,765.72	0.00	0.00
	5,611,689.29	47,404.96	584,348.90	0.00	0.00
II. Fixed assets					
1. Land. freehold and leasehold and buildings, including buildings on non-owned land	14,666,232.37	0.00	5,984,657.33	2,390,380.49	906,606.18
2. Technical equipment and machinery	22,912,063.03	0.00	2,644,485.16	606,001.41	1,902,139.82
3. Fixtures, furniture and equipment	1,005,775.40	0.00	976,221.52	0.00	18,452.36
4. Permanent crops	35,790.43		139,515.94	0.00	35,790.43
5. Payments in advance and plants under construction	2,196,486.97	0.00	3,292,969.10	-2,996,381.90	315,000.00
	40,816,348.20	0.00	13,037,849.05	0.00	3,177,988.79
III. Financial assets					
1. Interests in non-consolidated affiliated companies	55,000.00	58,354.50	0.00	0.00	22,956.00
2. Interests in associated companies	182,938.94	0.00	0.00	0.00	0.00
3. Investments	183,150.83	0.00	0.00	0.00	0.00
4. Investment securities	144,287.85	0.00	0.00	0.00	0.00
5. Other loans	82,514.90	0.00	17,233.50	0.00	0.00
6. Cooperative society shares	51,992.91	0.00	0.00	0.00	0.00
7. Reinsurance claims arising from life insurance policies	495,144.61	0.00	19,276.39	0.00	0.00
	1,195,030.04	58,354.50	36,509.89	0.00	22,956.00
	47,623,067.53	**105,759.46**	**13,658,707.84**	**0.00**	**3,200,944.79**

	ACCUMULATED AMORTISATIONS					ASSETS	
31.12.08	01.01.08	CHANGE IN SCOPE OF CONSOLIDATION	DEPRECIATION AND AMORTISATION SCHEDULED	DISPOSALS	31.12.08	31.12.07	31.12.08
1,478,225.31	106,926.00	0.00	19,492.80	0.00	126,418.80	800,716.13	1,351,806.51
4,765,217.84	613,353.70	0.00	355,691.63	0.00	969,045.33	4,090,693.46	3,796,172.51
6,243,443.15	**720,279.70**	**0.00**	**375,184.43**	**0.00**	**1,095,464.13**	**4,891,409.59**	**5,147,979.02**
22,134,664.01	3,229,402.09	0.00	292,229.91	209,882.79	3,311,749.21	11,436,830.28	18,822,914.68
24,260,409.78	3,221,395.11	0.00	1,554,576.62	940,121.86	3,835,849.87	19,690,667.92	20,424,559.91
1,963,544.56	483,466.89	0.00	284,492.23	16,244.12	751,715.00	522,308.51	1,211,829.56
139,515.94	35,789.43	0.00	0.00	35,789.43	0.00	1.00	139,515.94
2,178,074.17	0.00	0.00	0.00	0.00	0.00	2,196,486.97	2,178,074.17
50,676,208.46	**6,970,053.52**	**0.00**	**2,131,298.76**	**1,202,038.20**	**7,899,314.08**	**33,846,294.68**	**42,776,894.38**
90,398.50	0.00	0.00	0.00	0.00	0.00	55,000.00	90,398.50
182,938.94	0.00	0.00	0.00	0.00	0.00	182,938.94	182,938.94
183,150.83	176,648.31	0.00	0.00	0.00	176,648.31	6,502.52	6,502.52
144,287.85	0.00	0.00	0.00	0.00	0.00	144,287.85	144,287.85
99,748.40	17,437.31	0.00	0.00	0.00	17,437.31	65,077.59	82,311.09
51,992.91	0.00	0.00	0.00	0.00	0.00	51,992.91	51,992.91
514,421.00	69,659.03	0.00	0.00	0.00	69,659.03	425,485.58	444,761.97
1,266,938.43	**263,744.65**	**0.00**	**0.00**	**0.00**	**263,744.65**	**931,285.39**	**1,003,193.78**
58,186,590.04	**7,954,077.87**	**0.00**	**2,506,483.19**	**1,202,038.20**	**9,258,522.86**	**39,668,989.66**	**48,928,067.18**

Courtesy translation of Audit Opinion

To KTG Agrar AG, Hamburg:

We have audited the consolidated financial statements prepared by KTG Agrar AG, Hamburg, comprising the consolidated balance sheet, the consolidated income statement, the cash flow statement, the statement of changes in equity and the notes to the consolidated financial statements together with the Group management report for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the Group management report in accordance with German commercial law and supplementary provisions in the articles of association are the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 Handelsgesetzbuch (German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with German principles of proper accounting and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in the consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements as of December 31, 2008 of KTG Agrar AG, Hamburg, comply with the legal requirements as well as supplementary provisions of the articles of association and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. The Group management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of the future development.

Berlin, 4 Mai 2009

FALK & Co GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(Adler) (Bothe)
Wirtschaftsprüfer Wirtschaftsprüfer

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Concept, Text
HOSCHKE & CONSORTEN Public Relations GmbH, Hamburg

Concept, Design
visuphil®, Düsseldorf

Photography
Dennis Brandt
Günther Schwering (Page 5)

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