

Letter to the investors of KTG Agrar SE

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Dear investors,

As the days are getting longer, we would like to give you an overview of the development of [KTG Agrar SE](#). One thing is certain: we are looking forward to a fruitful and dynamic year 2016 and will continue our optimisation strategy with profitable growth.

Over the past 5 years, KTG Agrar has turned from a farming company into a producer of healthy food and clean energy with over 1,000 employees. Our current business model is unique in that it combines the production of high-quality food "from field to plate" with the generation of renewable energy. We cultivate more than 45,000 hectares of farmland in the heart of Europe, have three strong brands in supermarkets across Germany and generate renewable energy with a capacity of over 60 megawatts for half a million people on a 24/7 basis. KTG Agrar continues to grow from year to year, has significant hidden reserves and identified considerable potential for optimisation.

In autumn 2015, we reached another milestone when our first corporate bond, the "Biowertpapier I", amounting to EUR 50 million was refinanced prematurely and repaid on time. The 2010 issue marked the start of the creation of our unique value chain. Since then, KTG has invested far more than EUR 300 million in farmland, agricultural properties, strong food brands and the respective production capacities as well as biogas plants. During the term of the bond, we expanded our farmland by approx. 50%. Our agricultural products are manufactured at the next stage of the value chain at our KTG Group facilities in Anklam, Wittibreit, Manschnow, Ringleben and Linthe and marketed under the brand names of "biozentrale", "Frenzel Tiefkühlkost" and "Die Landwirte". The result is high-quality food "from field to plate" from a single source. Consumers can choose from a wide range of regionally produced products from muesli and pan-fried vegetables to soya oil with complete proof of origin.

Started 20 years ago, the agricultural operations are still at the heart of [KTG Agrar SE](#). Apart from these activities, the production of energy from renewable resources has become an important revenue and earnings generator. In 2016, KTG Energie AG, our biogas subsidiary, is the leading biogas producer in Germany with a secured long-term revenue base of over EUR 95 million and an EBITDA base of over EUR 28 million. The renewable resources are generated from catch crops, agricultural residues and grasses. The result: healthy food and clean energy from the same field and considerable hidden reserves in our balance sheet; while KTG Energie's shares trade at over EUR 11 at the stock exchange, they are carried in our balance sheet at the price of EUR 1, which adds up to hidden reserves of a good EUR 40 million or over EUR 5 per [KTG Agrar SE](#) share.

Investment phase completed, optimisation and earnings phase initiated

Having completed our investment phase, we have formulated a new set of clear objectives, namely optimisation and earnings growth. We now need to leverage synergies and utilise our capacities. After the massive investments of the past, there is considerable potential within our Group. Let me give you only one example: every year we handle about 1 million tons of agricultural soft commodities; storage and logistics as well as precision farming and big data will open up considerable potential for efficiency gains in this area.

We also aim to boost our output further. Our existing food production capacity is able to raise our revenues from EUR 100 million in 2014 to EUR 200 million without material investments in the coming years - which would have a notable impact on the margin. Innovative products will also help to increase our margins. Our ideas were met with an excellent response at the ANUGA trade fair in October 2015, the world's leading event of the food industry. Consumers and retailers can look forward to many innovative products made using farmed produce from our own fields, as food "made in Germany" enjoys great international demand. In the meantime, our exports to China have started; details will be announced in the coming weeks.

Profitable growth

While we grew profitably already during the investment phase - sales revenues rose by over 600% from EUR 32 million to EUR 234 million in the course of only five years and earnings before interest, taxes, depreciation and amortisation (EBITDA) surged from EUR 12 million to EUR 54 million - we will continue to

increase our margins during the optimisation and earnings phase. We are currently preparing the financial statements for 2015. The excellent performance of our subsidiary, KTG Energie, already shows where we are heading - KTG Energie's total output climbed from EUR 73 million to EUR 92 million and EBITDA rose from EUR 22 million to EUR 25 million in the financial year 2014/15. This shows that the KTG Group is well on track to exceed its consolidated EBITDA of EUR 54 million for 2014 and to pass the EUR 250 million revenue mark.

As you can see, the investments are increasingly paying off. KTG Agrar is only at the beginning of the harvesting phase. For the coming years, we are firmly targeting EUR 500 million in sales revenues - and growing margins.

Besides our consistent profitable growth, we are also keeping a close eye on our balance sheet ratios. As of 30 June 2015, KTG's equity capital amounted to EUR 123.1 million. With a view to our hidden reserves, we consider our equity ratio of approx. 16% to be adequate and aim to increase it further. In the second half of 2015, we already made progress towards this aim through the repayment of the bond, strong operations and the sale of the Russian investment.

The 2015 bond has shown that we address the refinancing issue professionally and at an early stage. We will do the same with the bond maturing in June 2017. We are currently reviewing all options and intend to present a refinancing package in autumn, i.e. a good nine months prior to maturity.

Dear readers, in over more than 20 years, the KTG Group has turned from a pure agricultural company into a medium-sized corporation employing over 1,000 people in the Farming, Energy, Food and Retail/Logistic Divisions. We are extremely grateful that we have been able to build up a team of employees who fill our virtues with life on a daily basis. We love our work. Without your support, dear investors, we would not have been able to pass the EUR 250 million revenue mark in 2015, for which we owe you our gratitude. Your trust will motivate and encourage us to give our best in the coming years in keeping with KTG's motto "We farm for life".

We appreciate your loyalty!
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Yours sincerely,
Siegfried Hofreiter

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